

A Paper Trail for Creating the Future



Integrated Report 2022

Kokusai Pulp & Paper transitioned to a holding company structure with the establishment of **KPP Group Holdings** on October 1, 2022

45
countries and regions

147
cities

157
locations

*As of March 31, 2022



List of Major Business Locations

■ Northeast Asia ■ Asia-Pacific (Oceania, Southeast Asia, India)
■ Europe, Middle East, North America, South America

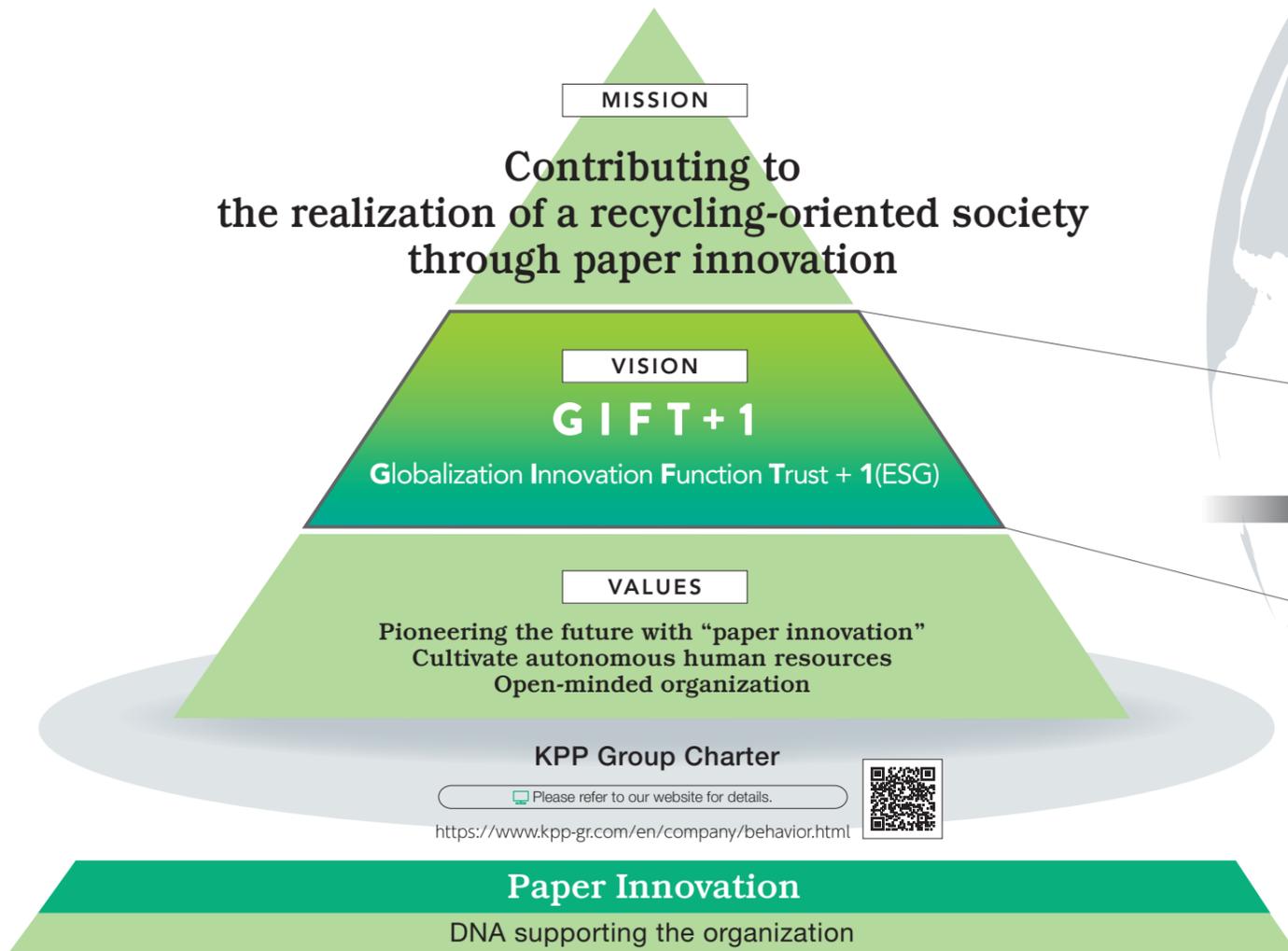
Japan	Oceania	Norwich	Denmark	Slovakia
Domestic	Australia	Spalding	Holstebro	Bernolákovo
Tokyo	Adelaide		Hørring	Bratislava
Osaka	Brisbane	Ireland	Taastrup	Ružomberok
Nagoya	Darwin	Dublin	Valby	Svätý Jur
Fukuoka	Hobart	Italy	Vejele	Hungary
Sendai	Melbourne	Lainate		Budapest
Sapporo	Perth	Portugal	Norway	Szolnok
Yokohama	Sydney	Lisbon	Oslo	Poland
Saitama	Townsville	Porto		Blonie
Okayama	Victoria	Spain	Sweden	Łódź
		Barcelona	Gothenburg	Poznań
Asia	New Zealand	A Coruña	Haninge	Sosnowiec
China	Auckland	Madrid	Askim	Szczecin
Shanghai	Christchurch	Valencia	Malmö	Warsaw
Wuxi	Palmerston North	Netherlands	Estonia	Romania
Nanjing	Wellington	Almere	Harju	Bucharest
Hangzhou		Austria	Latvia	Cluj-Napoca
Beijing	Europe	Bergheim	Riga	Iasi
Jinan	France	Innsbruck	Lithuania	Middle East
Shenzhen	Paris	Vienna	Vilnius	Turkey
Guangzhou	Boulogne-Billancourt	Germany	Finland	Istanbul
Hong Kong	Aubagne	Augsburg	Vantaa	South and North America
	Cestas	Berlin	Russia	America
Taiwan	Entzheim	Fellbach	Moscow	Los Angeles
Taipei	Friville	Frechen	Saint Petersburg	Bolivia
	Gonesse	Halle	Bulgaria	La Paz
Korea	Halluin	Hamburg	Plovdiv	Santa Cruz
Seoul	Orvault	Holzwickede	Sofia	Brazil
	Saint-Priest	Lahr	Czech Republic	São Paulo
Southeast Asia and India	Tigery	Landshut	Holešov	Chile
Thailand	Lyon	Leinfelden-Echterdingen	Pohořelice	Concepción
Bangkok	Maxéville	Liederbach	Prague	Iquique
	United Kingdom	Löbichau	Úžice	Puerto Montt
Singapore	Basingstoke	Switzerland	Veselí nad Moravou	Santiago
Singapore	Belfast	Laufenburg		Peru
Viet Nam	Blaydon	Leibstadt		Lima
Ho Chi Minh	Bristol	Lupfig		
	Coalville	Meyrin		
Indonesia	Coventry			
Jakarta	Dartford			
	Hertfordshire			
Malaysia	Leeds			
Kuala Lumpur	Leicestershire			
	Livingston			
Philippines	Northampton			
Manila				
India				
Bengaluru				

A Paper Trail for Creating the Future

KPP GROUP WAY

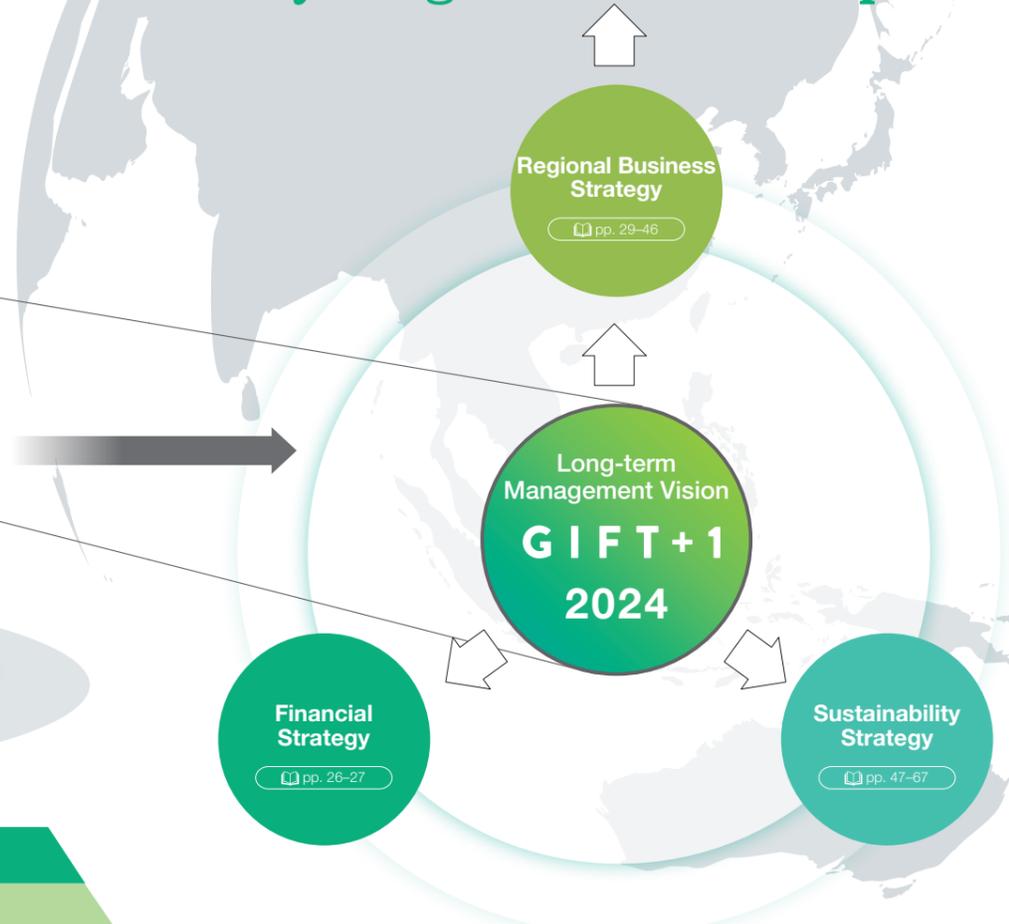
Corporate Message

A Paper Trail for Creating the Future



Value Creation Approach

Global management Establish a totally recycling-oriented enterprise



VISION **GIFT+1**

- Globalization:** Leveraging our global network to become a leading pulp and paper company
- Innovation:** Open up the potential of paper through a creative mind and develop a recycling-oriented business model
- Function:** Promote e-commerce and take on the challenges of new business domains
- Trust:** Continue being a sincere company trusted by stakeholders
- +1 (plus one):** Contribute to the realization of a sustainable society by adding environmental, social, governance, and other initiatives to all elements of our vision as "plus one"

What Is KPP Group Way?

The KPP Group Way is the KPP Group's philosophy structure, which is expressed as a pyramid consisting of three layers of Mission, Vision, and Values, supported by the KPP Group Charter. In the Group Way, the Mission incorporates the concept of purpose-based management and expresses our raison d'être and mission. Our Vision is summarized as GIFT+1. "GIFT" is an acronym for Globalization, Innovation, Function, and Trust, and to which we have added "+1" as environmental, social, and governance initiatives. Based on GIFT+1, we have established GIFT+1 2024 as a Long-term Management Vision towards the 100th anniversary of its founding. The Values summarize three values that all KPP Group members should have in common. In addition, the KPP Group Charter provides a guiding principle for the Company and its employees.

Communication Tool Chart

	Financial information	Non-financial information
Publications	Integrated Report	
		Public relations magazine <i>TSUNAGU</i>
	Securities report	
	Convocation notice	
Internet	Shareholder Report	
		Corporate brochure
	Social media	
	Corporate website	

CONTENTS

Kokusai Pulp & Paper Became KPP Group Holdings

- 03 KPP GROUP WAY
- 05 Transition to a Holding Company Structure
- 07 Message from the CEO

Value Creation at KPP Group Holdings

- 13 History of KPP Group
- 15 Value Creation Model
- 17 Identification of Material Issues and Contribution to SDGs
- 19 Business Models
- 21 Long-term Management Vision GIFT+1 2024
Third Medium-term Business Plan
- 25 Message from the Head of Overseas Business
- 26 Message from the Head of Corporate Administration
- 27 Financial Highlights
- 28 Non-Financial Highlights

Regional Business Strategy

- 29 Northeast Asia
- 39 Oceania, Southeast Asia, India
- 43 Europe, North America, South America

Sustainability Strategy

- 47 Sustainability Framework
- 49 Disclosure about Climate Change Corresponding to TCFD
- 51 Environmental Initiatives
- 53 Biodiversity
- 54 Contributing to Society
- 55 Human Capital and Human Resources Strategy
- 57 Management Structure
- 59 Messages from Outside Directors
- 61 Corporate Governance
- 65 Risk Management
- 67 Compliance

68 Corporate Profile

Editorial Policy

The Company publishes the Integrated Report since 2016 to help improve the understanding of a broad range of stakeholders for our business models and initiatives to realize a sustainable society. This Integrated Report is also posted on our website. This year's Report focuses on our value creation model, and introduces our Long-term Management Vision and business strategy for each region under the new structure. We will continue enhancing the Integrated Report's contents to deepen dialogue and build better relationships with our stakeholders.

Scope of Matters Reported

The Report mainly describes the conditions of the Group in the fiscal year ended March 31, 2022 (the period from April 1, 2021 to March 31, 2022) with some statements on the Group's conditions in the period starting from April 2022.

Date of Issue

This issue: December 2022
Next scheduled issue: October 2023

Background and Objectives of Transition to Holding Company Structure

We have adopted a holding company structure intending to strengthen global governance in line with the expansion of our business scale, reform our portfolio, expand new businesses, and promote sustainability management. We will continue to actively promote communication across national borders to create synergies on a global scale by combining the strengths of our corporate group, which has 157 locations in 147 cities in 45 countries around the world, while providing a governance framework for Group companies.

Policy of Our Third Medium-term Business Plan

- Establishment of a management control system that respects the autonomy of each Group company by delegating authority and clarifying responsibilities
- Centralized management of information and implementation of appropriate Group management
- Realization of rapid management through the IT infrastructure development
- Global expansion of risk and incident management
- Development of internal control and internal audit system to ensure proper business operations
- Revitalization of internal communication

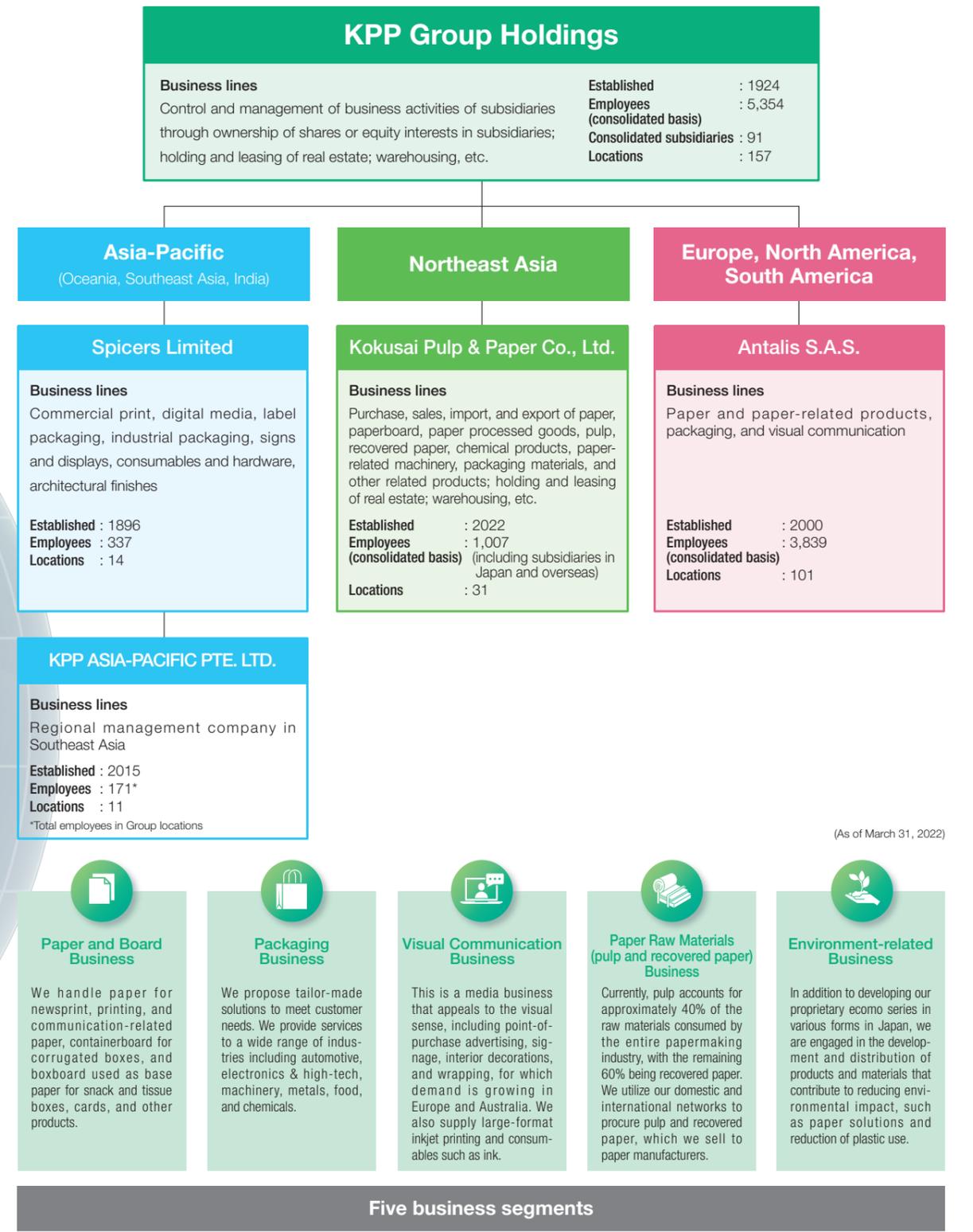
- Analysis of global markets and promotion of digital marketing
- Becoming carbon neutral and promoting e-commerce
- Realization of inorganic growth through M&A, etc.
- Hybrid management with stock business and indent business

- Transition to a more ESG-focused philosophy structure
- Achievement of KPIs and execution of PDCA for identified material issues (diversity, response to DX, climate change countermeasures, etc.)
- Integration between global-scale sustainability management and business plan



Overview of the Group

The Group has a global network spanning five continents, with business models tailored to the characteristics of each region. In order to maximize profits and establish a revenue base at each core operating company, we promote strategic alliances and work to create Group synergies.





We will implement global management and establish recycling-oriented business in the third medium-term business plan

Madoka Tanabe

Representative Director of the Board,
Chairman & Chief Executive Officer

Top
Message



How do you see changes in the business environment surrounding the Company?

Russia's invasion of Ukraine has reached a stalemate, and the energy problem it poses to European countries is becoming increasingly serious. The blockade of grain exports from Ukraine has also caused food prices in developing countries to soar. The Group operates a wide range of businesses in European countries, mainly in France, Germany, and the United Kingdom, and the impact of the conflict in Ukraine is a major risk factor. We are hoping for a ceasefire agreement as soon as possible. As COVID-19 enters its third year, the virus continues to mutate and the number of daily infections in Japan is on the rise again. It has been pointed out that vaccines are becoming less effective against new mutant strains, and the development of a treatment is urgently needed. Although the conflict between the US and China is also manifesting itself as a struggle for hegemony through democracy versus authoritarianism, the two countries' agendas are intricately intertwined and seem to have deep roots. Climate change is also causing natural disasters to become more severe every year, such as heat waves and wildfires in southern Europe and frequent linear precipitation zones in Japan. In addition, as overseas sales account for more than 50% of the Group's total sales, the impact of foreign exchange rates on business earnings is not insignificant. As described above, in addition to the conventional structural factors of digitalization, declining birthrates, and aging populations, social, political, and geopolitical factors, as well as the increasingly serious global issue of climate change, have become obstacles to achieving a sustainable society.



Against this backdrop of drastic changes in the business environment, risks that have never been experienced in the past are emerging one after another. How is the Company responding to these challenges and how do you see the future of paper?

There is no almighty means to solve many of these issues at once. We believe that the most important thing is to foster a corporate culture that responds flexibly to issues, changing the means of solution for each issue, for example, using the ecosystem for some issues and digital transformation (DX) for others. Paper is also a material that fulfills the elements necessary for a sustainable society, including the role of paper in solving issues for a decarbonized society, the function of paper in training the five human senses (sight, hearing, smell, touch, and taste), and paper's contribution to the circular economy. Although the role of paper as a means of information transmission has become limited, it is no exaggeration to say that various functional products that take advantage of the potential of paper are in their budding stages. We are mapping various risks, including political, economic, and social issues, and finding ways to respond to them as well as opportunities.



Four years have passed since the Company was listed, and during that time the Tokyo Stock Exchange (TSE) market segmentation has changed.

The year following my appointment as President (June 2013), we launched the IPO Task Force and aimed for a direct listing on the TSE First Section two years later in 2016. However, it took time to improve our corporate value, including strengthening our governance structure and financial base, resulting in a listing in June 2018. In April 2022, the TSE revised its market segmentation, changing

from four markets to three market segments: Prime, Standard, and Growth. At the time of our application for market selection, we did not meet the listing criteria for the Prime Market, and our transition to the Prime Market was a transitional measure. However, thanks to our proactive IR activities and measures to improve corporate value, we have now already achieved all of the criteria for listing on the Prime Market, including tradable shares and trading volume. Furthermore, we have conducted overseas M&A for two consecutive years upon listing, and in the fiscal year ended March 31, 2022, we were able to record the highest net sales and operating income in our history. Among them, the acquisition of Antalis, Europe's largest paper distributor with nearly 4,000 employees, was a decision made in the difficult circumstances of the COVID-19 pandemic, but it has resulted in a significant contribution to the Group's consolidated financial results. Four years have passed since we became listed, and a series of overseas M&As have transformed us into a global company with locations in 45 countries. We have become one of the three largest paper distributors in the world, which has increased employee motivation and engagement. Regarding shareholder returns, we plan to pay a dividend of 20 yen per share to shareholders this fiscal year, up from 8 yen at the time of listing, and our stock price has reached the highest level since listing.

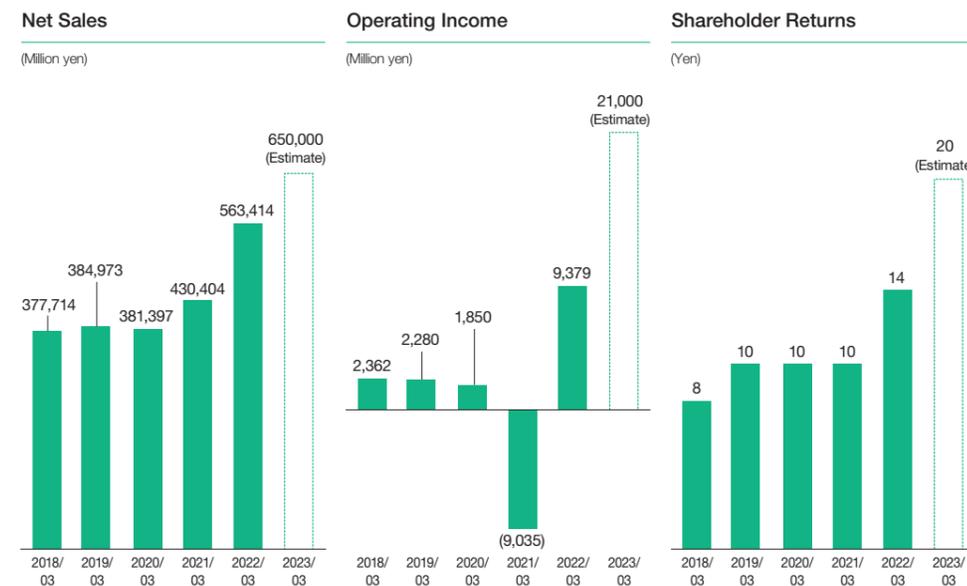


You announced an overview of the third medium-term business plan at the financial results briefing in June. Please tell us about your future aspirations as well as a review of the second medium-term business plan.

In the second medium-term business plan, we aimed for inorganic growth through overseas M&A and we were able to achieve more than 100% of our objectives in our regional and business strategies. In our regional strategy, we gained a large market share in Oceania, Europe, and South America, and in our business strategy, we increased the depth of our paper-related businesses, including packaging, signs and displays, and stickers and labels, which have growth potential. Furthermore, the addition of more than 4,000 foreign employees has also brought a great deal of know-how and an extensive information infrastructure, including databases. The three years of the third medium-term business plan is a period to solidify the business scale expansion through M&A and our globalization, which was accomplished during the business development period of the sec-



ond medium-term business plan. The title of the third medium-term business plan is "global management and establishment of recycling-oriented business." The transition to a holding company structure is part of this plan. With the transition, the company name was changed to KPP Group Holdings Co., Ltd. on October 1. As a branding strategy for the new company name, we are enhancing IR activities by increasing awareness through TV and radio commercials and social media. In the final year of the third medium-term business plan, we will celebrate the 100th anniversary of our founding, and our Long-term Management Vision GIFT+1 2024 will be completed. At the same time, GIFT+1 2030 will start anew in 2025, and we hope to become the world's largest and strongest paper distributor by then.



You are making a new start as a holding company in the first year of the third medium-term business plan. What is the aim of this?

We see the SDGs as a national initiative and the ESG as a corporate initiative, and we believe that both nations and companies will achieve development and growth by working together to contribute to a sustainable society. The Group has set the KPP Group Way as our basic policy, which consists of three layers: Mission (M), Vision (V), and Values (V). In executing global management, we aim to achieve sustainable growth by sharing this MVV with all Group operating companies and employees, and by instilling ESG as the basis of this MVV. To this end, we have come to the conclusion that organizational management by a holding company and regional core operating companies is more functional, and the best structure for strengthening governance and implementing growth strategies. In addition, we believe that this is the best structure from the perspective of our growth strategy, as we will be competing in markets on five continents during the third medium-term business plan and the NEXT 100 that lies ahead.



As the pulp and paper market in Japan shrinks, do you see any change in the positions of paper manufacturers and paper distributors in the future?

The history of paper in Japan dates back to the time of Prince Shotoku in the 7th century. By the 17th century, influential paper wholesalers had emerged, and the history of the Company continues to trace its origins to this. At the end of 19th century, the circulation of banknotes and the need for mass production of paper eventually led to a shift from handmade Japanese *washi* paper to machine-made paper. The today's relationship between paper manufacturers and distributors, which is originated from paper wholesalers, dates back to this period. The Japanese paper market subsequently rode the wave of rapid postwar growth and rose to become the world's second largest consumer nation. I believe that this was due in large part to the integrated distribution system of paper manufacturers and distributors that provided logistics, finance, credit, and other services. However, after the year 2000, the paper market began to shrink as the declining birthrate, aging population, and digitalization of information media began to drive people away from paper media. Meanwhile, the development of e-commerce has increased the demand for packaging, and environmental concerns have initiated a shift toward sustainable biomass resources. In this manner, the relationship between paper manufacturers and distributors, which had supported the information media industry through production and sales as a single unit, gradually became less and less stable due to contracting demand. At the same time, a shakeout of players and reorganization of companies to match market size has also occurred. Then, in the process of finding new strategic products that will be the pillars of a post paper media world, paper manufacturers and paper distributors will have to go their separate ways. Since the starting point for paper manufacturers is wood, there are high expectations for new technologies that utilize biomass resources. They have already begun to make use of cellulose nanofibers and lignin, and to enter the drug discovery business. However, distributors cannot go back to the wood. We have to find a way forward by developing markets in the paper-related fields. Fortunately, we have been acquiring new markets through overseas M&A for the past four years and now have sales and



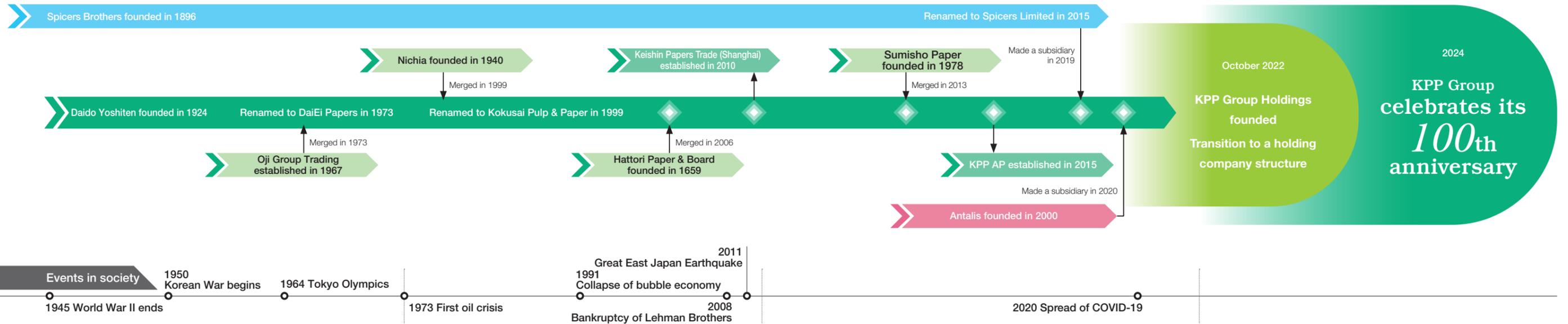
distribution locations in more than 150 cities around the world and more than 100,000 customers. In addition, our design centers, original product lineup, marketing team with advanced presentation and financing capabilities, as well as e-commerce services and ecosystems, have given us new ways to compete not only in the paper sector but also in the surrounding markets. However, we must not forget that it is necessary to continue to communicate that paper, our founding business, is a unique product that stimulates the human senses, so that it should not become forgotten in the digital society.



Environmental awareness is growing worldwide, and companies need to be environmentally conscious in order to enhance their brand power and competitiveness. What initiatives is the KPP Group pursuing?

We believe that environmental issues such as climate change and marine plastic pollution are urgent issues that cannot be ignored. In order to reduce the medium- and long-term impact of environmental problems on the global economy, it is necessary to make improvements at the level of corporate activities. Based on this belief, we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have begun global efforts to reduce greenhouse gas emissions. Although the core operating companies in each region in the Group have different types of businesses, what they all have in common is that they are corporate groups engaged in distribution in the pulp and paper industry. Therefore, we will first target greenhouse gas emission reductions in logistics by improving delivery efficiency, and then expand this effort to the entire value chain to achieve more comprehensive measures against global warming. Recently, there is a demand for such global warming prevention measures to be taken on a global level. Our management philosophy states that we will contribute to the realization of a recycling-oriented society, and in Japan, approximately 60% of the 1.8 million tons of base paper sold is recovered and recycled. As a unique system for collecting recovered paper, we have a nationwide system Town ecomo, in which collection boxes are installed at supermarkets and drugstores and points are granted. For companies, we offer a custom-made traceability management system for resource recycling as the ecomo Closed Recycle Service. ESG management is also shared at our overseas locations, and in Oceania we have published *Environs*, a catalog that lists all of our materials and products with reduced environmental impact. In Europe, we operate the Green Star System™, a unique system for rating the environmental impact of our products. The KPP Group is aware that it is a major player in the pulp and paper industry, and with the environmentally friendly material of paper at its core, the entire Group will continue to contribute to reducing environmental impact.

History of KPP Group



1 Foundation period (1924–1972)

Daido Yoshiten, the predecessor of KPP Group Holdings, was established during the rise of modern paper manufacturing

Daido Yoshiten, the predecessor of KPP Group Holdings, was founded in Osaka in 1924, and opened its first overseas branch in Shanghai in 1925. Later, it continued to aggressively expand into Tianjin, Taipei, Hong Kong, and other parts of Asia, and opened representative offices in Singapore in 1956, Melbourne in 1969, and Jakarta in 1970, actively expanding overseas from the early days of the Company. Rapid growth of the Company driven by the increasing demand for paper during the postwar reconstruction period and the high economic growth period.

2 Development period (1973–2012)

Expanded business through mergers and proceeded to operate globally at the center of industry reorganization

At the time, mergers and integration of manufacturers and trading companies were being repeated as industry reorganization progressed. The Company also merged with trading company of pulp Oji Group Trading in 1973 and was renamed to DaiEi Papers. It merged with major paper distributor Nichia in 1999 and was renamed to Kokusai Pulp & Paper. The Company also merged with Hattori Paper & Board in October 2006. It also expanded overseas into various areas in Asia during this period.

3 Second period of expansion (2013–2019)

Proceeded with business structural reform and expansion of business domains, evolving into one of the world's leading pulp and paper trading companies

In 2013, the Company merged with Sumisho Paper, a subsidiary of SUMITOMO CORPORATION with strengths in recovered paper and pulp, and expanded business portfolio to include raw materials. It also achieved its longstanding goal of being listed on the First Section (currently Prime Market) of the Tokyo Stock Exchange in 2018, obtaining social credibility and strengthening its business foundation. After being listed, the Company has adopted a global inorganic strategy, and acquired Spicers, a major paper distributor in Australia in 2019.

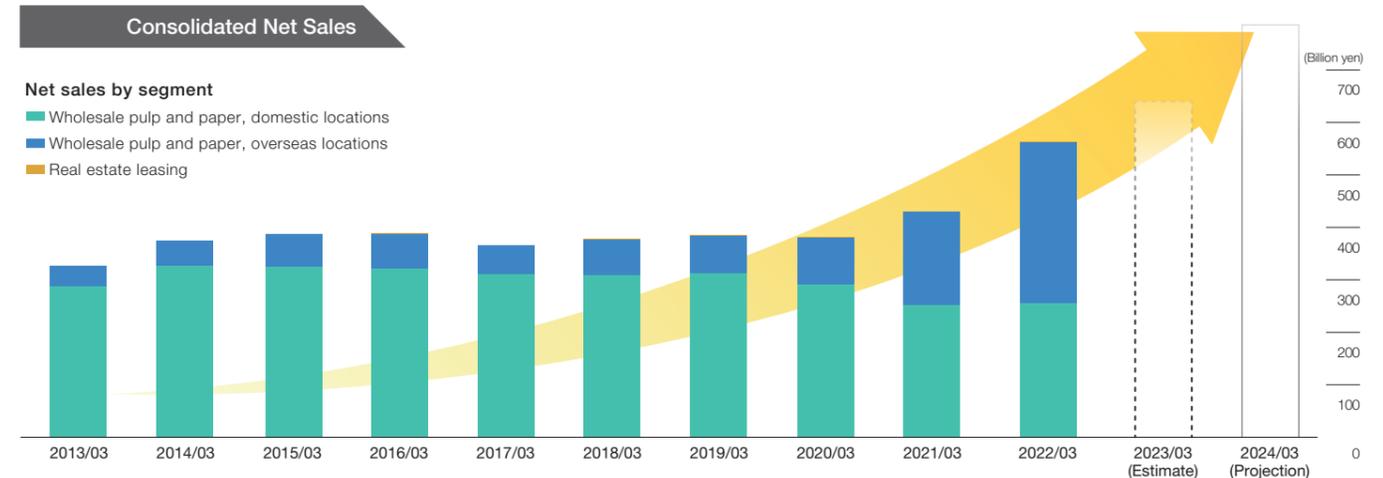
4 Evolution into one of the world's leading pulp and paper trading company groups and transition to a holding company structure (2020–)

Aiming to become the top paper distributor in the world while looking to the 100th anniversary in 2024 and beyond

With the acquisition of Europe's largest paper distributor, Antalis, in 2020, we have entered a new stage as a global company with a network on five continents and an overseas sales ratio of more than 50%. In October 2022, the Company transitioned to a holding company structure to strengthen global governance, reform its business portfolio, expand new businesses, and promote sustainability management. The KPP Group will continue to evolve as it moves toward its 100th anniversary in 2024 and across the century beyond that.



1 1924 Daido Yoshiten foundation party
 2 1973 Merged with Oji Group Trading
 1999 Merged with Nichia
 3 2019 Acquisition of Spicers, an industry leader in Oceania
 4 2020 Acquisition of Antalis, the largest paper distributor in Europe

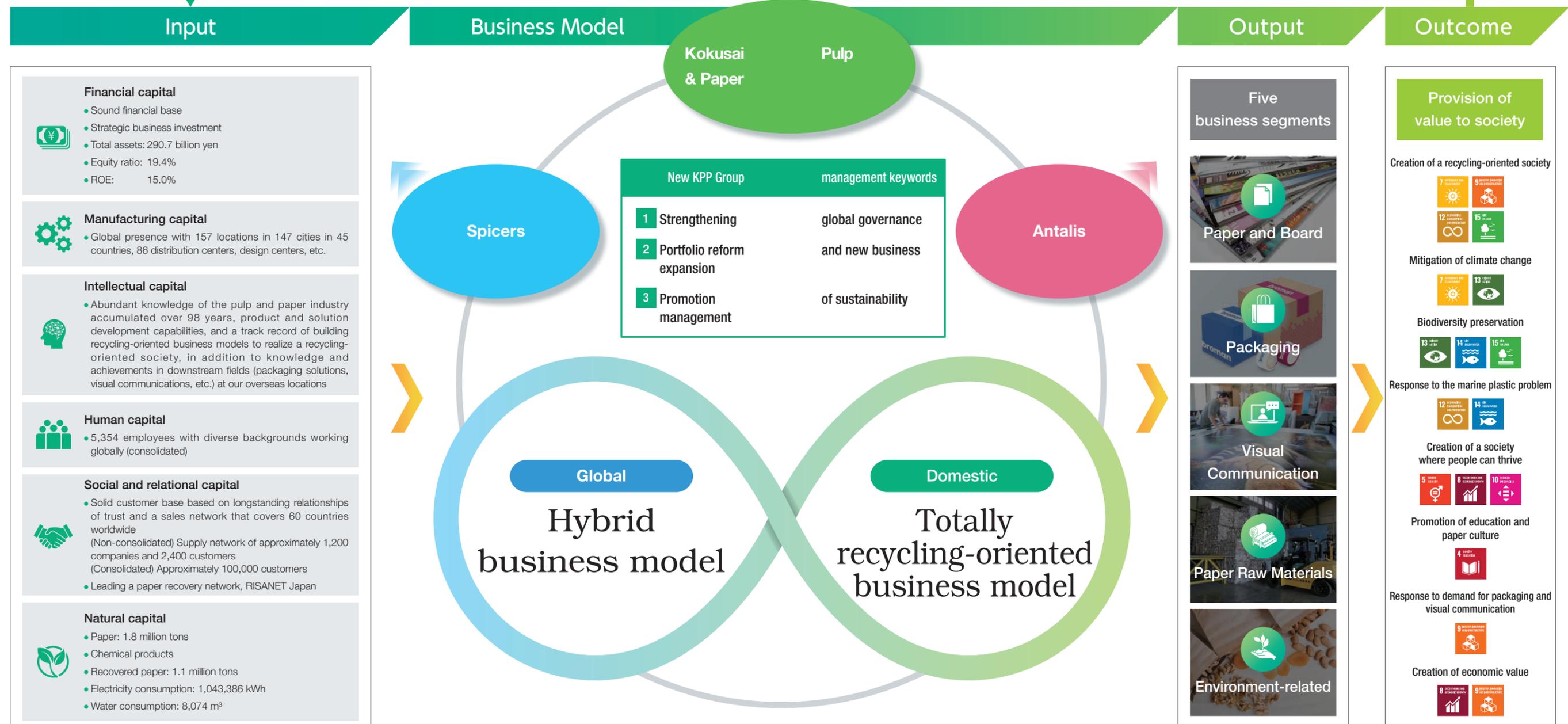


External Environment and Risks and Opportunities for KPP Group

External environment		Risks and opportunities
World <ul style="list-style-type: none"> Increasing geopolitical risks Intensifying environmental problems Shift in the centers of population and economy Continuing urbanization Technological advancement Depletion of underground resources 	Within Japan <ul style="list-style-type: none"> Advent of a super-aging society Dwindling birthrates and labor shortages Long-term deflation Decline of regional economies Declining national economic status 	Risks (Negative impact) <ul style="list-style-type: none"> Shrinking domestic market due to changes in national demographics (population decline, declining birthrate, and aging population) Growth of paper-free operations, especially in offices, due to the progress of computerization Opportunities (Positive impact) <ul style="list-style-type: none"> Development of new paper applications triggered by environmental issues Growing demand for paper for packaging applications due to the expansion of the e-commerce market Expansion of markets in emerging countries Increasing demand for sanitary paper against the backdrop of infectious disease control

Our Vision

As up until now, the KPP Group is expanding its business globally under the management vision of GIFT+1. We contribute to the realization of a sustainable society through our totally recycling-oriented business in Japan and the Packaging Business and the Visual Communication Business being implemented by our overseas Group companies.

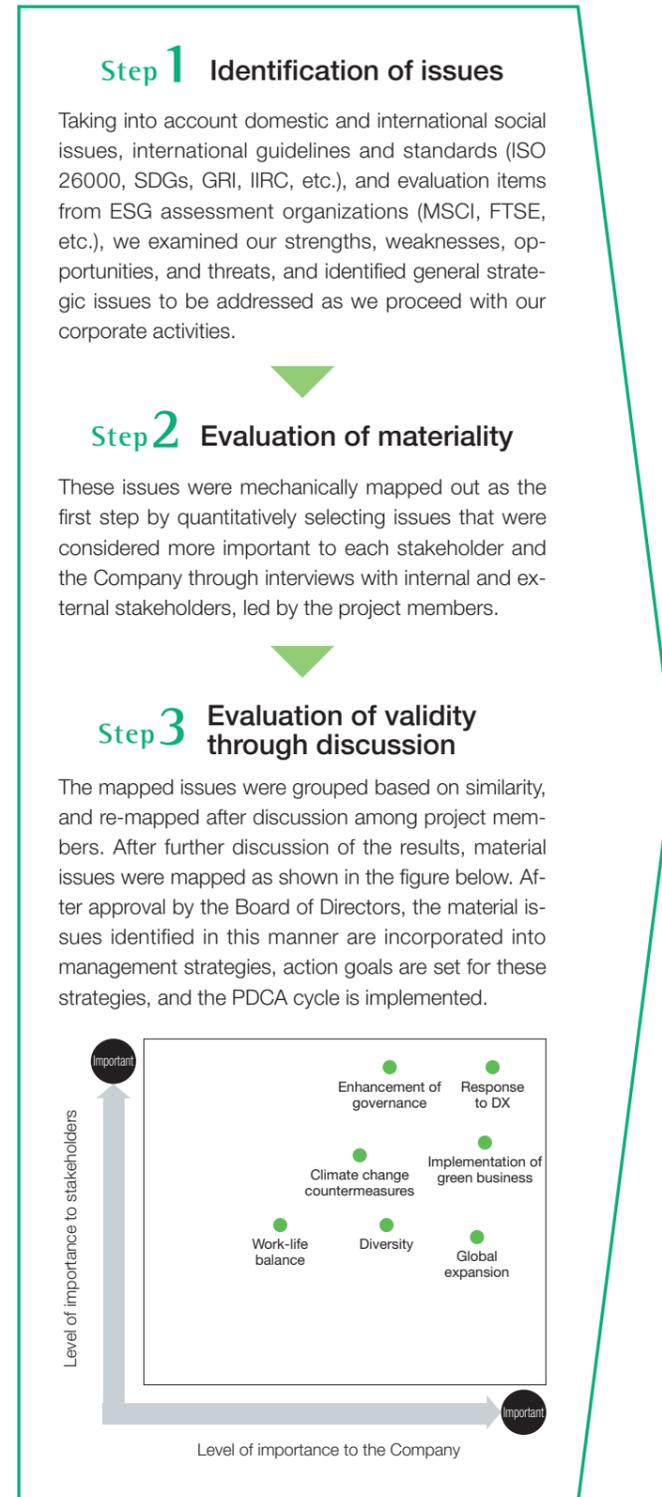


(As of March 31, 2022)

Identification of Material Issues and Contribution to SDGs

We have identified material issues that should be used as indicators to help us achieve the Sustainable Development Goals (SDGs) through our business activities and to create new value for the Company on a sustainable basis. Based on the results, we formulate action plans tied to the SDGs and promote specific initiatives to achieve the goals.

Material Issue Identification Process



Material Issues of the KPP Group

Material issues	Major themes	Actions	KPIs	Related SDGs
Global expansion	● Creation of Group synergies	● Share and leverage supplier and customer networks at locations in Japan and overseas	● Number of products, items, and services introduced among core operating companies as a result of Group synergies	—
	● Internal communication	● Produce and deploy a philosophy book and educational materials explaining the KPP Group Way ● Produce and share videos and other content introducing each location ● Publish a Group newsletter to deepen mutual understanding within the Group	● Publish a philosophy book (during the fiscal year ending March 31, 2024) ● Develop philosophy education (during the fiscal year ending March 31, 2024) ● Publish a Group newsletter (4 times a year) ● Produce video content in multiple languages (5 per year)	
Response to DX	● Expansion of e-commerce	● Expand online sales channels	● Improve e-commerce ratio (Japan and overseas)	—
	● Development of new systems	● Revamp core systems	● New core system to go live in April 2024	
Implementation of green business	● Resolution of the marine plastic pollution problem	● In addition to Green Products, incorporate global results such as Europe and Oceania into targets	● Plan as the Green Biz Project (in Japan) is 6 billion yen in sales (fiscal year ending March 31, 2025)	
	● Recycling and waste reduction	● In Japan, further promote recycling-oriented business as stated in the management philosophy	● Recovered paper collection volume	
Climate change countermeasures	● Development of solutions to prevent global warming	● Develop and distribute a biomass power plant optimization support system	● Expand sales in Japan and overseas	
	● Reduction of CO ₂ emissions	● Formulate a method for measuring greenhouse gas emissions and begin with a global measurement ● Set Group-wide targets while gradually expanding the scope of greenhouse gas emissions measurement	● Expand Scope 1, 2, and 3 calculations to include scope of consolidation in Japan and overseas ● CO ₂ reduction targets Achieve net zero CO ₂ emissions by 2050, targeting 3.3% reduction annually starting in 2020	
Diversity & inclusion	● Ensuring diversity ● Utilization of diverse personnel	● Continue to respect the work-life balance, implement continued employment, and hire persons with disabilities, foreign nationals, career personnel, etc. ● Continue various types of training and education (by rank, anti-harassment, etc.) and promote business activities that consider forests and biodiversity ● Create a safe, healthy, and rewarding work environment that takes into account the actual conditions of each region	● Implement Plan of Action for Promoting Women's Career Advancement ● Ratio of women in managerial positions ● Ratio of female employees hired for the main career track ● Ratio of persons with disabilities employed ● Utilize foreign nationals and mid-career hires ● Promote telework ● Percentage of employees receiving anti-harassment education ● Improve operational efficiency through Operational Reform Project ● Overtime hours	
			● Respond to risks identified in risk assessments conducted by the core operating companies and monitor the status of response to those risks to strengthen risk management	● Formulate rules and regulations for Group risk management (risk and incident management) ● Formulate action plans for risks and incidents
Enhancement of governance	● Compliance	● Implement surveys on the status of core operating companies and establish a reporting system ● Strongly promote compliance education for overseas locations as needed	● Establish a reporting system similar to that used for risks and incidents at core operating companies ● Implement compliance training for overseas locations	
	● Information security	● Thoroughly manage information on IT assets and collect and manage information on subsidiaries ● Implement cyber-attack countermeasures (targeted e-mail attack drills) ● Implement ongoing activities to enhance security	● Thoroughly manage information on IT assets and collect information on subsidiaries (December 2022) ● Number of training sessions against cyber attacks (once a year) ● Implement ongoing activities to enhance security (once a year)	
	● Risk management & incident management	● Respond to risks identified in risk assessments conducted by the core operating companies and monitor the status of response to those risks to strengthen risk management	● Formulate rules and regulations for Group risk management (risk and incident management) ● Formulate action plans for risks and incidents	
	● Risk-based internal audit	● Examine, prepare, and build risk-based internal audits based on the recognition of global risks, and based on this, introduce and implement audit plans and methods and upgrade audit methods	—	

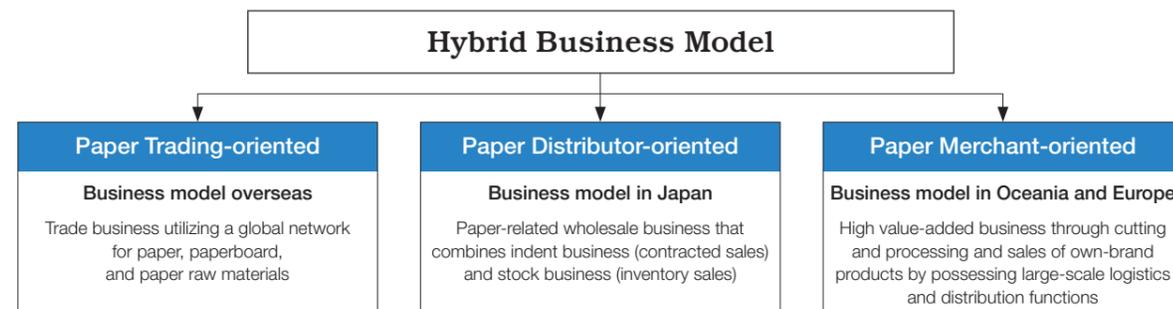
We have developed a totally recycling-oriented business model in Japan based on paper sales, collection, and recycling, but with the progress of our inorganic strategy overseas, diversity has been created in our business models in overseas. We are deploying a hybrid business model to match local markets overseas.

Global strategy maximizing profitability and efficiency

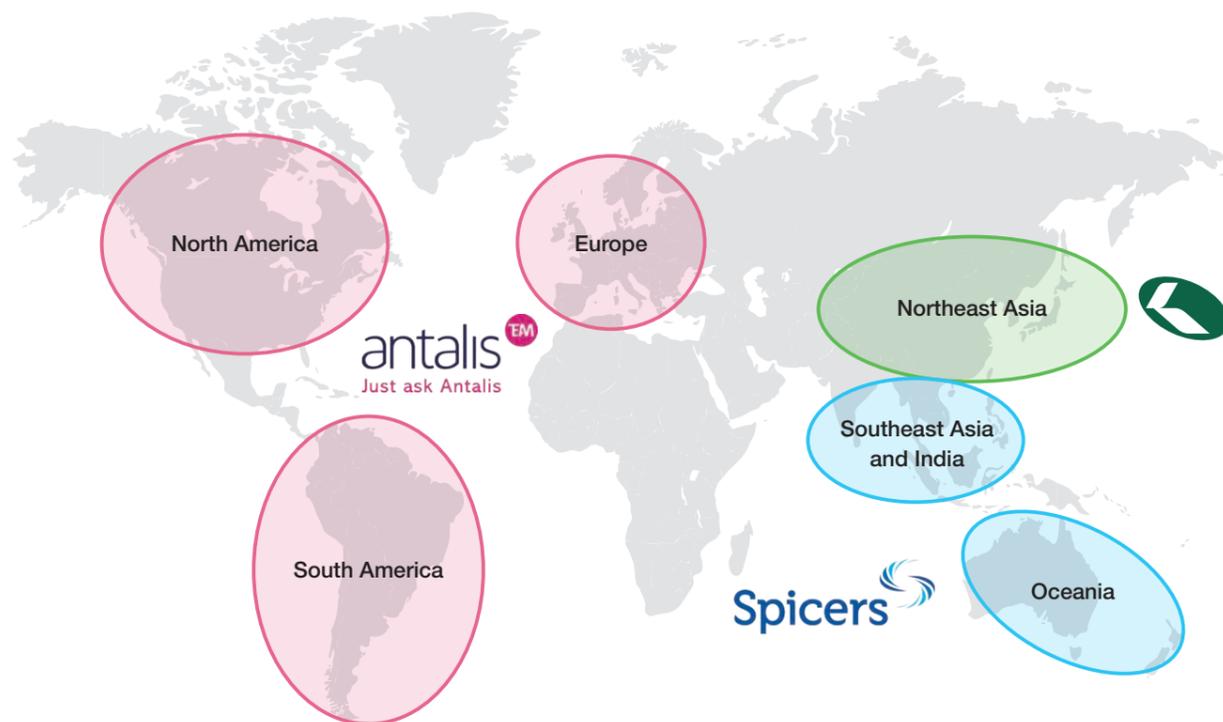
Hybrid Business Model

The Company is expanding its sales network on five continents and actively capturing the growth of markets worldwide. In order to operate a global business, it is necessary to create business models according to each region, and appropriately combine them to maximize profitability and efficiency. The hybrid business model resolves this issue.

As specific examples of operating business according to the region, we are further promoting post-paper business and e-commerce in Oceania and Europe. In Southeast Asia, Spicers will take over the Asian businesses of Kokusai Pulp & Paper and Antalis to maximize the effects of Group synergies. China is the world's largest paper and paperboard market in terms of both production and consumption, and the KPP Group's China business is steadily expanding after transitioning to a localized paper distribution business.



Global Network



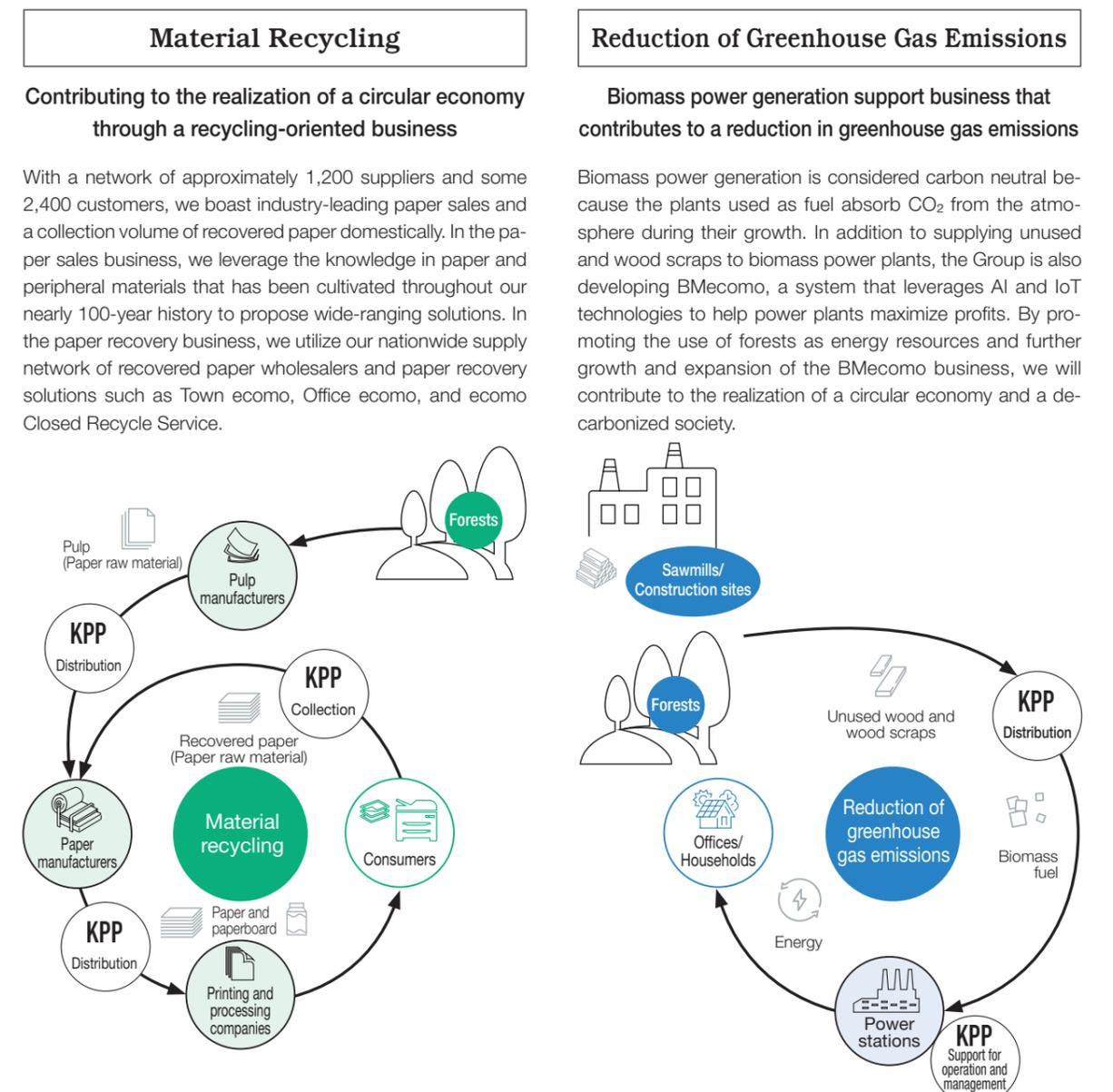
*Northeast Asia: Japan, China, Taiwan, Hong Kong, and Korea

Realization of environmentally friendly sustainable growth

Totally Recycling-oriented Business Model

The Company is now building a recycling-oriented business model so that the Group's business activities themselves are contributions to the realization of a sustainable society. We are expanding our business to reduce environmental impact by promoting a circular economy through material recycling that supplies recycled resources such as recovered paper and carbon neutrality that supplies renewable energy mainly through our biomass power plant operation support services.

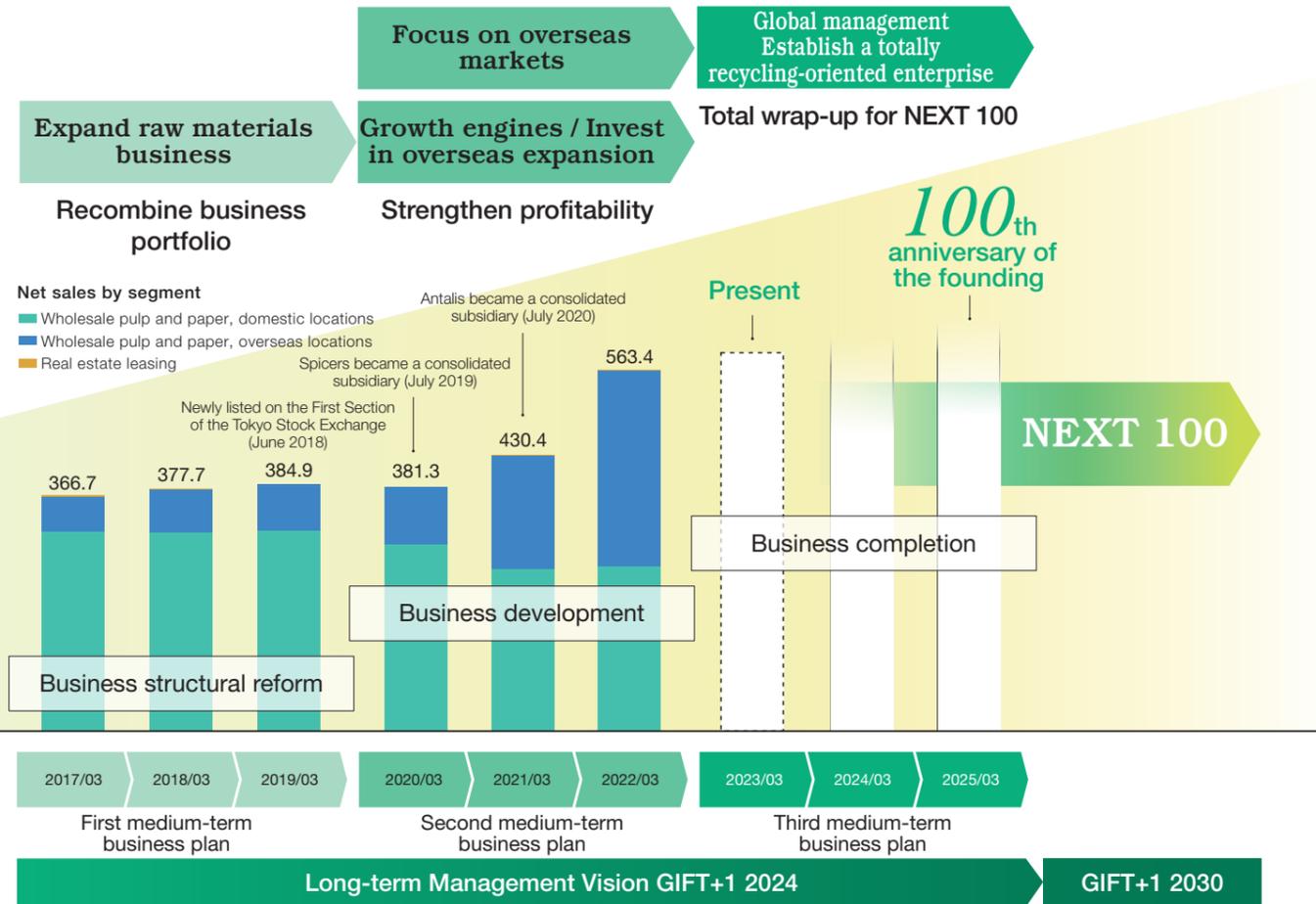
If we compare the Group's business model to the flow of blood, the flow of paper manufactured from forest resources to consumers can be regarded as arteries, and the flow of paper collected after the paper completed its initial role and is delivered to manufacturers as recovered paper to be used as raw materials as veins. In order to realize a sustainable society, it is important to circulate the flows of arteries and veins without stagnation. The Group plays the role of the heart that controls the flow of blood circulating through the arteries and veins.



Long-term Management Vision GIFT+1 2024

Third Medium-term Business Plan

The Long-term Management Vision GIFT+1 2024, which started in fiscal 2016, has completed its first medium-term business plan for the business structural reform and the second medium-term business plan for the business development, and has newly formulated its third medium-term business plan covering the three-year period from fiscal 2022 to fiscal 2024. Under the third medium-term business plan, which started in April 2022, we have taken a new step forward as a global company with 157 locations in 147 cities in 45 countries around the world. In fiscal 2024, the final



Review of the Second Medium-term Business Plan from the Fiscal Year Ended March 31, 2020 to the Fiscal Year Ended March 31, 2022

- Net sales and profits both grew significantly, creating a highly profitable structure
- Overseas business grew significantly with the acquisition of Spicers and Antalis as subsidiaries. Portfolio reforms are being promoted by incorporating new business sectors such as the Visual Communication Business and the Packaging Business
- Made steady progress in restructuring of China business and improved profitability

- Faced with a contracting graphic paper market, driven by the advancement of IT and the impact of COVID-19
- Strengthened and promoted totally recycling-oriented business operations
- Created solution businesses such as BMecom
- Implemented major M&As (such as Spicers in Australia, and Antalis in France)
- Reformed business portfolio (visual communication and packaging)
- Implemented business and organizational restructuring (China business, etc.)

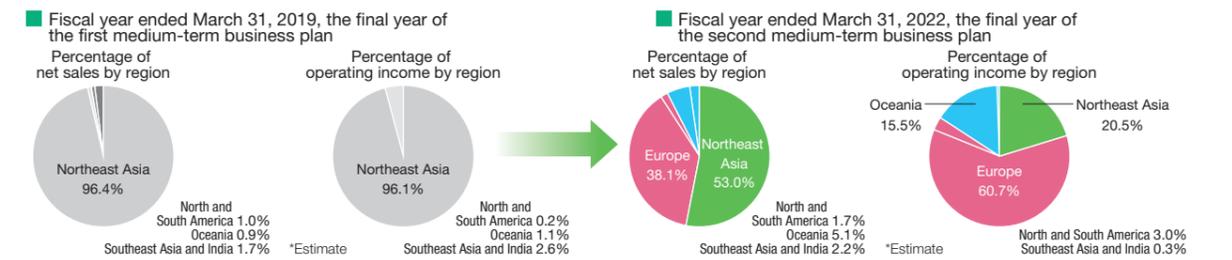
Management indicators	Results for the fiscal year ended March 31, 2019, the final year of the first medium-term business plan	Second medium-term business plan		Percentage change from plan
		Initial plan value	Results for fiscal year ended March 31, 2022	
Net sales	384,973	430,000	563,414	+31.0%
Operating income	2,280	3,000	9,379	+212.6%
Net profits	2,497	2,000	7,497	+274.9%
ROE	5.1%	—	15.0%	—
ROA	1.3%	—	2.7%	—

year of the plan, we will celebrate the goal of our Long-term Management Vision GIFT+1 2024, as well as the 100th anniversary of our founding. In the third medium-term business plan for the business completion, we aim to further enhance corporate value by promoting global expansion and contributing to the realization of a sustainable society through a totally recycling-oriented business model, and by reforming our business portfolio.

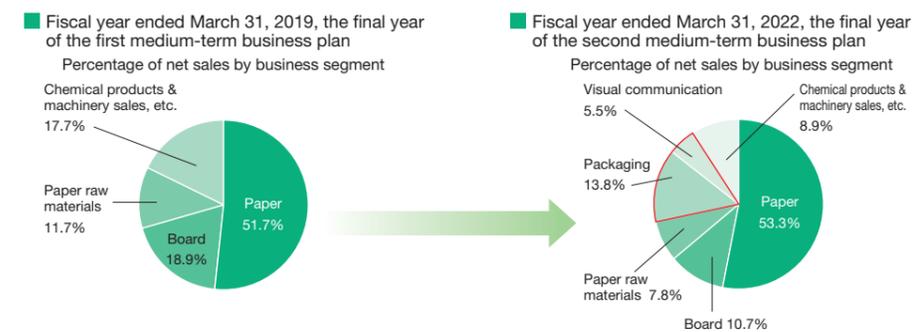
Transformation of Business Structure and Scale through Regional Strategy and Portfolio Reform

Under the first medium-term business plan, the Company was listed on the First Section of the Tokyo Stock Exchange (currently the Prime Market), and under the second medium-term business plan, the Company acquired Spicers in Oceania in 2019 and Antalis in Europe in 2020 to reform its business portfolio. As a result, in the fiscal year ended March 31, 2022, the final year of the second medium-term business plan, we achieved record highs in both net sales and operating income, with overseas sales accounting for 54% of total net sales and overseas operating income reaching approximately 80% of total. Through a series of M&As, the Packaging and Visual Communication Businesses of our overseas operating companies have been newly added to the Group's business portfolio, and these businesses will serve as footholds for future growth. In terms of business scale, the KPP Group has made great strides to become the world's third-largest paper trading company.

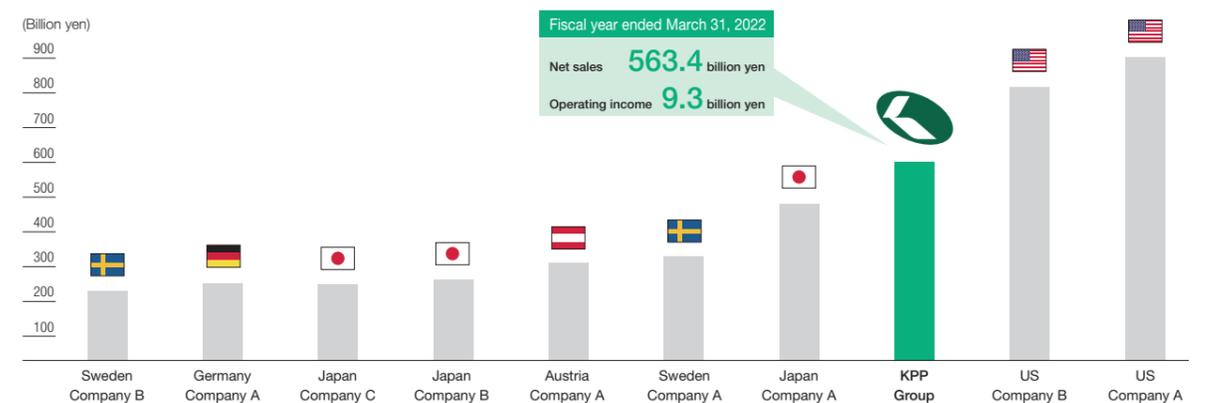
Net Sales and Operating Income Composition by Region



Net Sales Composition by Business Segment



Emerges as the World's Third-largest Paper Trading Company in Terms of Business Scale



Policy of the Third Medium-term Business Plan for the Fiscal Year Ending March 31, 2023 to the Fiscal Year Ending March 31, 2025

In the third medium-term business plan, we will focus on contributing to a sustainable society through recycling-oriented businesses and improving corporate value through business portfolio reform. We will establish a revenue base by maximizing the profits of each operating company, promoting strategic alliances and M&A, and pursuing global synergies, and strengthen global Group management by realizing ESG management, building a global operation system, and enhancing Group communication. Spicers and Antalis joined the KPP Group through M&As during the period of the second medium-term business plan, and we believe it is essential to maximize synergies among these Group companies, including Kokusai Pulp & Paper. To that end, we will promote and strengthen communication and information sharing among Group companies even more than before.



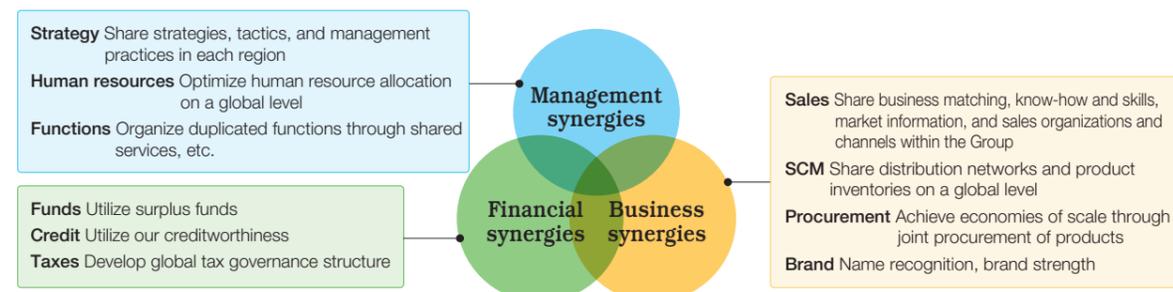
Group Strategy

Transition to a Holding Company Structure and Management by Global Expansion Area

With the objectives of strengthening global governance, portfolio reform and new business expansion, and promotion of sustainability management, on October 1, 2022, we have made a fresh start by transitioning to a holding company structure and changing our company name to KPP Group Holdings Co., Ltd. Under the holding company structure, there will be three core operating companies, Kokusai Pulp & Paper, Antalis, and Spicers. Kokusai Pulp & Paper will be responsible for the business operation in Northeast Asia region, Antalis in Europe, North America, and South America, and Spicers in the Asia-Pacific region, respectively. In this manner, the three core operating companies will share the geographic areas in which they have the greatest expertise and cover the five continents of the world.

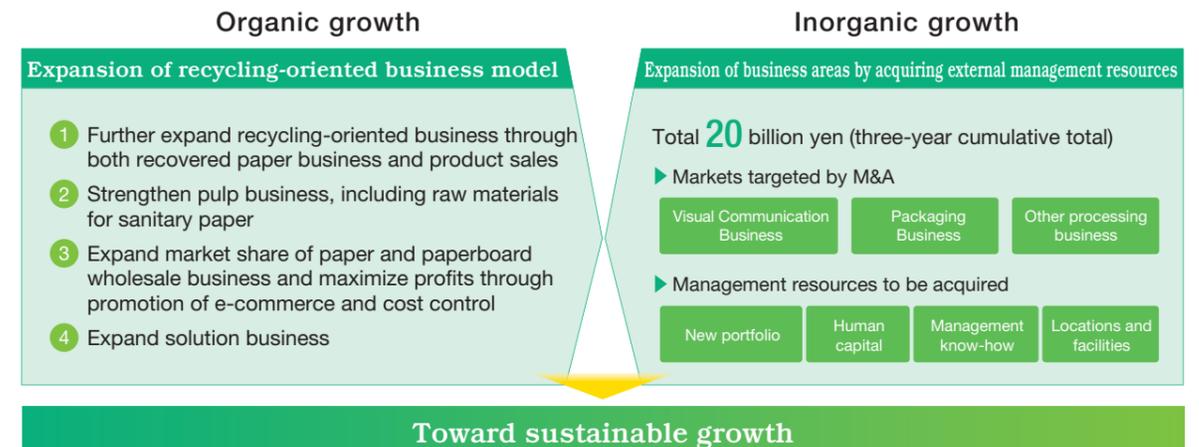
Creation of Group Synergies

One of the objectives of our transition to a holding company structure is to create synergies among our core operating companies. In addition, we classify synergies into three categories: management synergies, financial synergies, and business synergies, and aim to realize each of these synergies. Management synergies include the sharing of good business management practices, the utilization of global human resources, and shared services. Financial synergies address the reduction of financial costs by maximizing the creditworthiness of the KPP Group. Business synergies include sharing sales channels and supply chains, leveraging name recognition and brand power, and expanding business areas. Some of the business synergies have already been realized, such as Kokusai Pulp & Paper signing a distributorship agreement to develop paper buffer solutions in Japan by Ranpak B.V., which Antalis operates in Europe and South America.



Growth through M&As and Alliances

In the third medium-term business plan, the KPP Group's basic strategy is to build a stable foundation through expansion of the recycling-oriented business model and growth of internal management resources (organic) such as e-commerce and solution businesses, and to accelerate growth through acquisition of external management resources through means such as M&As and alliances (inorganic). The main areas of investment are in the Packaging Business and Visual Communication Business, mainly in Europe, the US, and the ASEAN region. Funds for investment are expected to be 20 billion yen, which is within the projected cumulative free cash flow for the three-year period.



Numerical Targets for the Final Year (Fiscal Year Ending March 31, 2025)

The numerical targets for net sales, profit, profitability, and financial soundness indicators for the final year of the third medium-term business plan are as shown in below. Emphasis is placed on profitability and on building earning power, particularly in the high-value-added Packaging and Visual Communication Businesses. We will ensure financial soundness by maintaining ROE at 10% or higher, which is a standard for outstanding companies, and by aiming for a D/E ratio of 1.0 times or less. In the Northeast Asia region, we aim to achieve organic growth by growing our market share, focusing on the wholesale business of paper, recovered paper, and pulp, which are our main products, and the paper recovery business. Meanwhile, in Europe, America, and the Asia-Pacific region, we will strengthen the three pillars of our Business: Paper, Packaging, and Visual Communication. To achieve these numerical targets, we will steadily implement the various strategies set forth in the third medium-term business plan and create Group synergies.

	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2025	Rate of change
Net sales (Million yen)	563,414	650,000	+15.4%
Operating income (Million yen)	9,379	14,500	+54.6%
Operating profit margin (%)	1.7%	2.2%	+0.5pt
Net profits (Million yen)	7,497	9,000	+20.0%
ROE (%)	15.0%	12.0% or more	—
ROA (%)	2.7%	2.5% or more	—
D/E ratio (Times)	1.4 times	1.0 times or less	—
Equity ratio (%)	19.4%	25.0% or more	—

Responsible company	Responsible area	Net sales target for the final year of the third medium-term business plan
Kokusai Pulp & Paper	Northeast Asia	320.0 billion yen
Antalis	Europe	250.0 billion yen
	North America and South America	20.0 billion yen
Spicers	Oceania	35.0 billion yen
	Southeast Asia and India	25.0 billion yen



Makoto Ikuta

Senior Managing Director of the Board
In charge of overseas business

Review of Fiscal Year Ended March 31, 2022

For the fiscal year ended March 31, 2022, the whole-sale pulp and paper segment at overseas locations achieved significant increases in both revenue and earnings, boosted by the full-year contribution of Antalis' performance and a recovery in demand in Europe, Oceania, and elsewhere on the back of a policy of co-existence with COVID-19. In Hong Kong and China, where we recorded significant losses in the fiscal year ended March 31, 2021 due to bad debts, we have also made progress in restructuring our business operations. As for the consolidated gross profit margin, it increased from 12.1% year on year to 16.5%, largely due to the contribution of Antalis, which has a high gross profit margin.

Watching the External Environment Closely

Although the inorganic strategy has made positive progress so far, we need to keep in mind that the market environment is rapidly changing for the next fiscal year as we advance with our business activities. Although people's perception of the coronavirus is changing even in Japan, which had continued to adopt a relatively conservative policy, events and inbound demand have not completely recovered. In China, the Xi Jinping administration is entering its third term, and the so-called zero-COVID policy is expected to continue. Geopolitical risks are increasing due to Russia's invasion of Ukraine as well as the escalating conflict between the US and China. In terms of the economy, the US has steered interest rates higher and the US dollar has appreciated, affecting not only Japan but the global economy as a whole.

Outlook for the Fiscal Year Ending March 31, 2023

Although headwinds are strengthening on various fronts, we believe that our overseas business will remain relatively strong for the fiscal year ending March 31, 2023. We also intend to pursue M&As based on our inorganic strategy as before. With regard to the business performance forecast, the delay in business recovery due to China's zero-COVID policy has spread

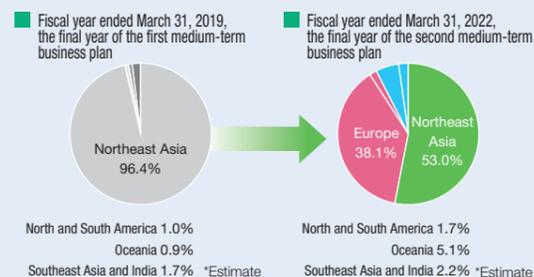
to the Southeast Asian market, and conditions remain difficult in China and Southeast Asia. However, locations in Europe, Oceania, and other regions are driving the overall performance. In the overseas Packaging Business and Visual Communication Business, we expect further market expansion in both Europe and Oceania.

Prospects for the Next Fiscal Year

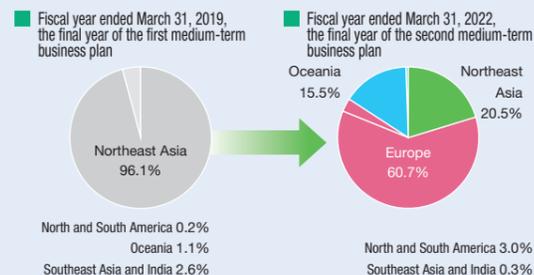
Looking ahead to the next fiscal year, our challenge will be to respond to the fluid macro environment by strengthening risk management on a global basis and maximizing profits by creating synergies with overseas operating companies added through M&As.

We will continue to promote global expansion to capture the growth of overseas markets.

Net Sales by Region



Operating Income by Region



Haruyoshi Asada

Senior Managing Director of the Board
In charge of corporate administration

Review of Business Results for the Fiscal Year Ended March 31, 2022 and the Second Medium-term Business Plan

In the fiscal year ended March 31, 2022, the final year of the second medium-term business plan, the Company's net sales were 563,414 million yen (up 30.9% year on year). In terms of operating income and loss, the performance of Antalis, which was acquired in the previous fiscal year, contributed to the full-year results, and the impact of the provision of allowance for doubtful accounts for customers in Hong Kong and China, which occurred in the previous fiscal year, was eliminated. As a result, operating income was 9,379 million yen (operating loss of 9,035 million yen in the previous fiscal year), ordinary income was 8,844 million yen (ordinary loss of 12,041 million yen in the previous fiscal year), and net profits were 7,497 million yen (net profits of 1,416 million yen in the previous fiscal year).

Factors contributing to the significant improvement in performance in the fiscal year ended March 31, 2022 compared to the fiscal year ended March 31, 2021 include the expansion of business scale through M&As in Europe and Oceania and the strengthening of the earnings base by incorporating the Packaging Business and the Visual Communication Business, as well as increased global demand for packaging, higher sales prices in the European and Oceania markets, and a recovery in demand due to the subsiding of the COVID-19 pandemic. As a result, the equity ratio, an indicator of financial safety, increased to 19.4%, up 3.6 percentage points from the fiscal year ended March 31, 2021.

Third Medium-term Business Plan

For the fiscal year ending March 31, 2025, the final year of the third medium-term business plan, we target net sales of 650 billion yen, operating income of 14.5 billion yen, and net profits of 9 billion yen. To achieve these targets, we must further transform our business portfolio and expand our business areas, and M&As are necessary to achieve this. Investments related to business area expansion, including M&As, are expected to total 20 billion yen over the three-year period, and the funds will be generated from 36 billion yen in expected operating cash flow over this period of three years. This target is primarily the Packaging Business and the Visual Communication Business. We believe that an

inorganic strategy through M&As is essential for the Company to achieve sustainable growth. We will also create and promote businesses to promote de-plasticization under the slogan of our corporate message, A Paper Trail for Creating the Future.

Strengthening Our Financial Base

Our equity ratio decreased to 15.8% in the previous fiscal year, mainly due to an increase in total assets resulting from large acquisitions. In the fiscal year ended March 31, 2022, although the equity ratio rose to 19.4% due to the accumulation of profits, we believe that 25% or more is ideal considering the strengthening of our financial base and the diversification of our financing sources, such as bonds. Although there are uncertainties such as the size of M&As and changes in the market value of retirement benefits, we have set a target of 25% for the final year of the third medium-term business plan.

Returns to Shareholders

Our basic policy for profit distribution is to provide a stable return of profits to shareholders, while comprehensively taking into account our business performance and internal reserves for future business development and other factors. For the fiscal year ended March 31, 2022, we have decided to pay a dividend of 14 yen per share based on this policy. For the next fiscal year, we plan to pay a dividend of 20 yen per share, including a commemorative dividend in conjunction with the transition to a holding company. We will continue to aim to increase dividends through profit growth while taking into consideration the balance between investment and shareholder returns. We will use retained earnings to enhance our capital strength in preparation for activities such as future business development.

Total assets and equity ratio



Financial Highlights (Five-Year Summary)

Unit: Million yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Balance sheet					
Current assets	210,523	200,672	136,546	137,757	141,961
Fixed assets	80,183	74,447	52,771	53,853	56,205
Current liabilities	170,164	190,993	121,293	126,484	134,589
Fixed liabilities	64,167	40,544	20,746	14,900	15,881
Interest-bearing liabilities	80,237	83,272	47,808	41,357	49,693
Net assets	56,291	43,489	47,184	50,117	47,546
ROE (%)	15.02	3.12	2.53	5.12	5.32
Total assets	290,707	275,119	189,317	191,610	198,166
ROA (%)	2.65	0.61	0.65	1.28	1.27
Equity ratio (%)	19.4	15.8	24.9	26.2	24.0
Profit and loss statement					
Net sales	563,414	430,404	381,397	384,973	377,714
Gross profit	92,951	51,915	23,708	22,064	22,008
Ratio to net sales (%)	16.50	12.06	6.22	5.73	5.83
Operating income	9,379	(9,035)	1,850	2,280	2,362
Ratio to net sales (%)	1.66	–	0.49	0.59	0.63
Ordinary income	8,844	(12,041)	2,194	2,518	3,086
Ratio to net sales (%)	1.57	–	0.58	0.65	0.82
Profit attributable to owners of parent	7,497	1,416	1,232	2,497	2,433
Ratio to net sales (%)	1.33	0.33	0.32	0.65	0.64
Statement of cash flows					
Operating cash flow	4,821	(6,472)	4,905	4,217	4,019
Investment cash flow	(2,678)	23,046	(5,400)	1,130	(7,920)
Financial cash flow	(11,803)	6,597	5,504	(6,623)	5,760
Ending balance of cash and cash-equivalents	22,631	30,543	7,775	2,838	4,135
Per-share data					
Net profits per share (Yen)	104.39	19.70	16.86	34.74	36.55
Net assets per share (Yen)	783.65	605.71	649.48	685.21	714.05
Annual dividend per share (Yen)	14.00	10.00	10.00	10.00	8.00
Other indices					
Total asset turnover (%)	193.8	156.4	201.5	200.9	190.6
Dividend payout ratio (%)	13.4	50.8	59.3	28.8	21.9
Debt-to-equity ratio (%)	142.5	191.5	101.3	82.5	104.5
Current ratio (%)	123.7	105.1	112.6	108.9	105.5

Notes: 1. Net assets reflects a total from which non-controlling interests have been deducted.
2. Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied since the beginning of the fiscal year ended March 31, 2019. Indices for the fiscal year ended March 31, 2018, reflect the retroactive application of the accounting standard.
3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 are after the application of such accounting standards.
4. ROE is calculated based on an average of net assets in the current period and in the preceding period.
ROE (return on equity) = profit attributable to owners of parent/net assets
5. ROA is calculated based on an average of total assets in the current period and in the preceding period.
ROA (return on assets) = profit attributable to owners of parent/total assets

Non-Financial Highlights (Five-Year Summary)

Personnel Data*1	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
[Consolidated] Number of employees (persons)	5,354	5,530	1,288	1,005	956
[Non-consolidated] Number of employees (persons) *Excluding fixed-term employees and post-retirement workers	Male	365	408	414	413
	Female	242	252	254	245
	Total	607	660	668	658
Gender ratio in management positions (%)	Male	97.0	97.4	97.3	97.2
	Female	3.0	2.6	2.7	2.8
Average years of service	17.9	18.1	17.8	18.2	18.3
Hiring rate of persons with disabilities (%)	2.4	2.8	2.6	2.6	2.2
Number of continued employment system users	29	29	22	26	25
Number of new graduates hired	6	22	32	16	–
Number of mid-career employees hired	11	8	10	21	–
Total number of employees hired	17	30	42	37	–
Hiring rate of mid-career employees (%)	65	27	24	57	–
Work-Life Balance Data*1	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Number of employees who took childcare leave	12	9	4	10	12
The ratio of childcare leave takers who return to work (%)	100	100	100	100	85.7
Number of employees who used childcare shortened work-hour system	12	19	11	10	6
Number of employees who used staggered work hours (excluding off-peak commuting reasons)	19	18	15	14	14
Environmental Data*1	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Environmentally friendly paper sales (tons)	683,582	736,562	772,484	695,032	566,503
Forest-certified pulp sales (tons)	172,561	157,467	149,308	152,251	128,428
CO ₂ emissions based on the ton-kilometer method (t-CO ₂)*2	9,115	9,635	10,476	11,593	11,572
Energy consumption by business operators (kJ)*3	978	1,008	1,086	1,177	1,180
CO ₂ emissions by business operators (t-CO ₂)	1,797	1,854	2,001	2,247	2,355
Electricity consumption (kWh)	1,043,386	1,115,456	1,200,064	1,334,876	1,334,353
Waste emissions (kg)	105,745	119,766	130,482	150,244	128,724
Waste recycling rate (%)	66.4	70.9	70.5	73.7	70.0
Amount recycled (kg)	70,245	84,946	92,054	110,802	89,898
Water consumption (m ³)	8,074	8,290	11,308	10,995	11,291

*1: Figures are on a non-consolidated basis for Kokusai Pulp & Paper.
*2: Ton-kilometer is a unit for values obtained by multiplying the weight of each freight carriage in tons by the distance traveled in kilometers.
*3: Figures are crude oil equivalents in kiloliters of the sums of electricity, city gas, LP gas, and kerosene used annually.

Message from the President of Kokusai Pulp & Paper



Tadashi Kurihara

Kokusai Pulp & Paper
Representative Director of the Board,
President & Executive Officer



The Role of Kokusai Pulp & Paper in the KPP Group

On October 1, 2022, the KPP Group transitioned to a holding company structure, starting anew as KPP Group Holdings Co., Ltd. With 91 companies operating in Japan and overseas in Europe, Oceania, and other regions, the KPP Group has transformed itself into a global company with the overseas business accounting for more than 50% of net sales and 157 locations in 147 cities in 45 countries around the world. While the Group is promoting its global development in this way, Kokusai Pulp & Paper started as a core operating company in the Northeast Asia region within the Group. The Japanese pulp and paper market has been contracting for a long period, and we recognize that reforming our sales methods through the use of digital marketing and executing a reform of our portfolio, as well as creating and expanding new businesses is the most important issue. We will expand our business with mission and pride as the top paper distributor in the pulp and paper

industry in Japan. In China, we plan to further expand our business with a focus on stock business due to the high potential demand for paper.

Kokusai Pulp & Paper's distinctive feature within the KPP Group is its environmentally friendly business, which is aimed at realizing a recycling-oriented society. Our company's major strengths are our abilities to sell two million tons of paper, and to collect and recycle approximately 60% of that paper. In terms of paper recovery solutions, we have also been working for many years on the development and deployment of the ecomo series, with great success. At present, while our focus is on paper recovery, we intend to focus on the collection of non-paper resources in the future. In recent years, in addition to Office ecomo for corporate and business offices and Town ecomo for general households, the number of companies adopting the ecomo Closed Recycle Service, which establishes an

optimal recycling scheme for each company, has been increasing year by year. This service not only recovers resources, but also enhances the value of client companies by thoroughly visualizing their emissions, recycling routes, recycled volumes, etc. In parallel with the ecomo series, we developed BMecomo, an operation support system for biomass power plants, which is attracting attention as an initiative to realize a decarbonized society, and launched a joint venture company with an Indian IT venture-backed company to begin operations.

In addition to these solutions that contribute to reducing environmental impact, we launched the Green Biz Project three years ago and have successfully developed

and distributed products. As moves to restrict disposable plastic and film packaging are spreading in countries around the globe, we are presenting the world with the potential of paper as an alternative material. We also handle biomass plastic and biodegradable plastic to help solve the marine plastic pollution problem besides various paper materials. We will develop these environment-related businesses into pillars of our business and drive the entire Group toward solving sustainability issues.

Japanese Market Conditions

What will likely expand following the receding of the big wave of COVID-19 will be a remote, contactless society utilizing digital technology. Remote working has become a standard rather than an alternative, and e-commerce has become a part of our lives to avoid excessive contact with people. In response to these changes in social life, demand for paper and paperboard in Japan slightly recovered from the previous fiscal year. However, it did not return to pre-pandemic levels. In particular, demand for paper has continued to decline in recent years, spurring this trend. In the paperboard sector, while inbound demand has not recovered due to restrictions on behavior imposed by the COVID-19 countermeasures, positive

factors such as home delivery services and the resumption of economic activity have captured demand for boxboard and containerboard, leading to strong growth in performance. In pulp, both volume and net sales were higher than the previous fiscal year due to increased exports to China and rising market conditions, despite lower demand from domestic household paper manufacturers. The volume of recovered paper also decreased from the previous fiscal year due to a decrease in the amount of recovered paper generated from households as a result of the extension of the declaration of a state of emergency. However, we were able to achieve solid results due to higher prices.

Medium-term Business Plan of Kokusai Pulp & Paper

The previous fiscal year was the final year of the second medium-term business plan, and the third medium-term business plan started in April 2022. The second medium-term business plan focused on strengthening earning power with four pillars: restructuring of the paper, paperboard, and pulp wholesale business, expansion of the packaging materials business, strengthening of the material and thermal recycling business, and expansion of the solution business. In Japan, while the contraction of the market for graphic paper and other products was driven by the acceleration of digitization due to the COVID-19 pandemic, we were able to strengthen our totally recycling-oriented business and create new solution businesses such as BMecomo. Overseas, both net sales

and profits grew significantly as a result of the business and organizational restructuring of Keishin Papers Trade in China. In addition, the replacement of staff and the promotion of more efficient operations have also contributed to the improvement in profitability.

Based on the policy of the entire KPP Group, the third medium-term business plan focuses on reform of sales methods, transformation of sales and service content, and realization of low-cost management. First, with regard to the reform of sales methods, we will build a new business model by making full use of our database and the latest digital technology. In Oceania and Europe, selling paper on e-commerce sites is becoming more common. In anticipation of a further decline in demand for paper, we will

Message from the President of Kokusai Pulp & Paper

build and deploy an e-commerce-based selling system in Japan. Regarding the transformation of sales and service content, it is essential to ensure that demand for de-plasticization and reduction of plastic use, which is progressing worldwide, is captured. We intend to further evolve our totally recycling-oriented business model and steadily meet the demand for reduced environmental impact. We will promote business portfolio reforms with the aim of further expanding sales of environment-related products by considering business expansion into downstream areas. In addition to increasing these positive factors, we will continue to promote operational reforms to reduce

negative factors. In terms of the organizational structure, we will take the opportunity of the change to a holding company structure to consolidate the administrative divisions at the head office and change to a system in which common operations are managed along a horizontal axis. We are also working to improve and simplify business processes in the core system development project. Through these measures, we will maximize operational efficiency and achieve low-cost management.

strength in the Packaging Business, and we believe it is a good example of collaboration and synergy with overseas Group companies. We will grow these green businesses

so that they will become our core businesses and reform our domestic business portfolio.

New Initiatives at Kokusai Pulp & Paper

Even in the paper industry, change through DX is inevitable. In order to strengthen our ability to sell through data-driven marketing rather than proposals based on mere market conditions, we established the Marketing Office under the President's direct control in April 2022 and are working to strengthen our structure by hiring digital marketing personnel from outside the company. In March 2022, we launched our solution proposal website, SHIFT ON. We propose solutions throughout the entire lifecycle of the product, from the optimal materials for the customer's issue and their processing, to recycling after use. In addition, the BMecomo business, a biomass power plant operation optimization support system that utilizes advanced IT technology, was spun off and made a subsidiary. We will first work to expand sales to power plants in Japan, and subsequently develop our business

in Southeast Asia and other regions where biomass power generation is thriving.

We will further expand the environmental business in Japan besides DX promotion. As one of these measures, we made Oji Fiber Co., Ltd, which manufactures, processes, and sells "Paper yarn OJO+," a paper yarn fiber made mainly from Manila hemp, a subsidiary. Paper yarn fiber is a sustainable material that contributes to the realization of a low-carbon society, produced by combining traditional Japanese *washi* paper making and cutting-edge papermaking technology. While the material is currently used mainly in apparel and interior design, we will further improve our yarn-making technology to expand the use of paper yarn. In addition, we invested in and entered into a business alliance with AmicaTerra Co., Ltd., a start-up company working on modo-cell®, which is a plastic substitute material made mainly from plant fibers. The raw materials of modo-cell® are plant fiber (cellulose), starch, natural resins of plant origin, and water. It is a nature-friendly material that is completely biodegradable after use. It is manufactured using resources that have been discarded in the past, such as rice straw and corn cores, as well as bamboo from abandoned bamboo forests, which have recently become a serious problem throughout Japan. Since plant residues and agricultural waste can be used as raw materials, there is no concern about raw material depletion, and it is expected to solve the problem of abandoned bamboo forests and make effective use of agricultural waste. Moreover, we have begun sales as a Japanese distributor for Ranpak B.V., the world's largest manufacturer of paper packaging materials and provider of packaging systems. This business alliance was realized against the backdrop of the business of Antalis, which

Initiatives to Develop Human Resources and Strengthen the Organization

As a trading company, we consider human capital to be of utmost importance. In a short period of time, the KPP Group has rapidly globalized and is now a global organization with over 5,000 employees and operations in 45 countries around the world. While many employees at overseas locations are capable of handling multiple languages in addition to English, this is not yet the case in Japan. We believe that diversity and inclusion will be essential to the globalization of our company in the future. To secure diverse human resources, we have been increasing the number of mid-career hires as job-based hiring in recent years, as well as having employees from Asia, India, and other countries play active roles. Furthermore, we are working on personnel exchanges with overseas Group companies. We strive to provide opportunities for skill development that promote the independent challenges of all employees and create an environment in which they can play active roles at a maximum.



Regional Business Strategy

Chinese Market Conditions

We operate throughout Northeast Asia with Keishin Papers Trade, which is responsible for the Chinese market, and manage the Japanese and Chinese markets in an integrated manner. In 2022, Keishin Papers Trade incorporated Antalis Shanghai, which has strong brand power in the specialty paper market, as a wholly owned subsidiary and reorganized the company to operate as a mid-sized paper distributor with business locations in eight cities in China. We handle wood free uncoated paper, coated paper, white card, white paperboard, containerboard, and others as a special agent for major paper manufacturers in China; import fancy specialty paper as an exclusive agent for overseas manufacturers; and provide community-based one-stop services directly connected to end users, including cutting and processing. In addition, we

are expanding import sales of containerboard, specially processed base paper, and synthetic paper from overseas manufacturers, as well as export sales of printing and packaging paper from Chinese paper manufacturers. However, due to the impact of Russia's invasion of Ukraine, commercial pulp and energy markets have become even tighter and more likely to rise. While the continuous price hikes by various paper manufacturers have increased inventory costs for Keishin Papers Trade, there are concerns about negative factors such as declining exports due to the global recession and sluggish domestic demand due to uncertainty about the future. Although these global risks are increasing, we will view the crisis as an opportunity to develop a management structure that can flexibly adapt to changes in the external environment.



Japan

Kokusai Pulp & Paper

Major Locations
Tokyo, Osaka, Nagoya, Fukuoka, Sendai, Sapporo, Seoul, Taipei, Los Angeles, etc.

Main Businesses and Products

- Purchase, sales, import, and export of paper, paperboard, paper processed goods, pulp, recovered paper, chemical products, paper-related machinery, packaging materials, and other related products
- Holding and leasing of real estate; warehousing



Review of the Fiscal Year Ended March 31, 2022

In the paper sector, while both volume and net sales exceeded those of the previous fiscal year, which was severely affected by COVID-19, they did not recover to the pre-pandemic results. Meanwhile, in the paperboard sector, the resumption of economic activity and strong demand for home delivery boosted demand for boxboard and containerboard, and both volume and net sales exceeded those of the previous fiscal year. In the paper raw materials sector, net sales of recovered

paper exceeded the previous fiscal year's level due to higher prices, although the volume of recovered paper was below the previous year's level due to a decrease in the volume generated as a result of the extended period of the declaration of a state of emergency. In pulp, both volume and net sales were higher than the previous fiscal year due to increased exports to China and higher unit sales prices, despite lower demand from domestic household paper manufacturers.

Direction for the Fiscal Year Ending March 31, 2023

Amid declining paper demand, in the domestic paper and paperboard wholesale business, we will expand market share and promote e-commerce in the graphic paper sector through differentiation strategies based on collaboration between sales and marketing teams, and maximize profits through cost control. On April 1, 2022, the Act on Promotion of Resource Circulation for Plastics came into effect, and the use of paper instead of disposable plastic products and the use of biomass materials are further progressing. Under these circumstances, we will strengthen our efforts aimed at de-plasticization demand centered on the Green

Biz Project, and promote the development and sales of environmentally friendly materials and products. We will also establish a recycling-oriented business model through product sales and recovery of paper, and expand our business through Green Solutions that contribute to material recycling and reduction of greenhouse gas emissions. In addition, we established BMecomo Co., Ltd. on March 1, 2022, and are working to realize a decarbonized society and a circular economy through the development and sales business of BMecomo, a biomass power plant operation optimization support system that utilizes advanced IoT technology.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Market leadership position in the Japanese market • Development of a totally recycling-oriented business • Network as a common agent • Development of closed recycling 	<ul style="list-style-type: none"> • High market share in the paper sector where demand is expected to decline • Insufficient transformation of business portfolio
<div style="display: flex; justify-content: space-around;"> <div style="background-color: #4CAF50; color: white; padding: 2px 5px;">S</div> <div style="background-color: #4CAF50; color: white; padding: 2px 5px;">W</div> </div>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #4CAF50; color: white; padding: 2px 5px;">O</div> <div style="background-color: #4CAF50; color: white; padding: 2px 5px;">T</div> </div>
<ul style="list-style-type: none"> • Expansion of global business areas through the transition to a holding company structure • Acceleration of de-plasticization due to environmental issues • Investment to realize a recycling-oriented society 	<ul style="list-style-type: none"> • Decrease in demand due to higher prices • Further increase in purchase prices due to soaring raw material and fuel prices • Rapid market changes and exchange rate fluctuations • Continued impact of COVID-19
Opportunities	Threats

Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)

At Kokusai Pulp & Paper, we have established three policies, following the KPP Group's overall policy of the third medium-term business plan (FY2022–2024) and the policy of the previous second medium-term business plan (FY2019–2021).

Reform of Sales Methods

Establishment of a Marketing Team

- Create a new sales structure through collaboration between the sales team (existing sales organization) and the marketing team (newly established sales support division)
- Establish and strengthen the KPP Group's selling system and differentiate the company from its competitors
- Utilize and promote e-commerce



Initiatives of the Marketing Team

We create new business customers and develop new projects through our website, "SHIFT ON," which offers optimal solutions to our customers' business challenges. We also utilize databases and digital technology to create new value. We provide opportunities for our customers to experience our business and solutions not only digitally, but also through our exhibits at trade shows and our sales tools.

Transformation of Sales and Service Content

Promotion of the Environment-related Business and Packaging Business

<Environment-related Business>

- Expand sales leveraging environmental friendliness such as the promotion of paper solutions and reduction of plastic use (AmicaTerra and Oji Fiber)
- Develop closed recycling customers
- Handle environmentally friendly materials
- Utilization of the Green Biz Project

<Packaging Business>

- New initiatives leveraging know-how sharing of Antalis and Spicers



Initiatives of the Green Biz Project

We hold a Green Biz Project meeting once every two months to share information on the environmental businesses we are promoting, hold seminars by experts, and share best practices of environmentally friendly materials. More than 100 employees from domestic and overseas Group companies participate in this Group-wide effort to help stakeholders solve environmental issues. Going forward, the Green Biz Project will promote measures such as "promoting the resolution of issues throughout KPP to increase orders and sales of environment-related products," "activating the resolution of issues by appointing personnel with knowledge of environmental issues," and "collaborating with the Marketing Office to closely monitor market trends and deepen product knowledge." In collaboration with the Marketing Office, we aim to establish a system to standardize work within the company by visualizing the sales process and skills of high-performance personnel, thereby improving reproducibility.

Low-cost Management

Streamlining of Operations

- Promote DX
- Consolidate administrative divisions
- Streamline ordering and receiving order operations with suppliers



Promotion of DX

The company's IT Division is taking the lead in developing systems that incorporate both the business frontline and management perspectives, and is promoting the use and selection of existing functions and the standardization of business procedures. System construction thoroughly eliminates the need for personalized work, simplifies and automates system management procedures, and optimizes personnel allocation, thereby improving operational efficiency for low-cost management. Through these efforts, we aim to create a highly profitable structure and improve ROIC.

Specific Initiatives

BMecomo

BMecomo is the biomass power generation industry's first operation support system that utilizes the latest technologies such as AI and IoT to collect and analyze all types of data obtained from biomass power plants, with the aim of supporting not only the daily operation of biomass power plants but also business management. On March 1, 2022, BMecomo Co., Ltd. was established for the purpose of

further business expansion, increased efficiency, and faster decision-making. Taking advantage of changes in the external environment surrounding the biomass power generation market, such as the realization of a decarbonized society and a circular economy, we will further grow and develop the BMecomo business, aiming to both solve social issues and increase corporate value. We will also promote initiatives for energy utilization services for waste wood to realize a recycling-oriented society.



The Company's Green Products and Green Solutions

Green Products	Promotion of paper solutions	Due to the marine plastic pollution problem, moves to restrict disposable plastic are accelerating in countries around the globe, and demand for paper as an alternative material is rising. In recent years, research and development has been progressed mainly by paper manufacturers, and there has been an increase in examples of food packaging, daily necessities, and the apparel industry. Examples: Cutlery, clear files, face covers, hangers, paper packaging materials, cushioning materials, packages, etc.
	Reduction of plastic use	These products reduce the use of oil-derived plastic by innovating manufacturing technologies and mixing in biomass-derived pulp and paper to an extent that does not detract from plastic characteristics such as barrier properties and processing suitability. Examples: Paper cold storage boxes, paper and film packaging materials, water and oil resistant paper, etc.
	Biomass materials	As it is often difficult to switch plastic to other materials due to its various characteristics, research is being conducted with the aim of reducing the environmental impact. Biomass plastic manufactured using biomass materials and biodegradable plastic that is broken down by bacteria are some examples. Examples: In-store POP, fishing tackle items, cutlery, etc.
Green Solutions	Town ecom	A system in which paper from households is collected at point-reward type paper collection boxes in retail stores, etc. to be recycled as paper raw material.
	Office ecom	A system for safely collecting confidential documents from offices in dedicated boxes to be recycled as paper raw material.
	ecom Closed Recycle Service	A solution service that visualizes the recycling loop of client companies by centrally managing the entire process from paper supply to the collection and recycling of recovered paper.
	BMecomo	A system that supports the optimization of biomass power plant operation by utilizing the latest technologies such as big data analysis, AI, and IoT.

Operating the PAPER MALL E-commerce Site for Paper-related Products

Our website, PAPER MALL, offers approximately 1,000 types of general and specialty paper and paper products, which can be purchased in quantities as small as one sheet. Samples and sample books can be ordered free of charge, and we also offer a processing service to cut general paper into desired sizes to meet a wide range of customer needs. We also provide a lineup of Green Products, environmentally friendly products for different situations in clothing, food, and housing.

Paper Industry News keeps you up-to-date on the latest news related to paper. This is a comprehensive paper-related website that leverages our strengths as a paper specialist, including our logistics network, which enables prompt delivery, and our ability to answer questions and provide consultation on paper-related issues.

 PAPER MALL can be found here.

<https://www.kpps.jp/papermall/>
(available only in Japanese)



AmicaTerra

We have invested in AmicaTerra Co., Ltd. and formed a capital and business alliance with the company. The company sells raw materials and manufactures plant-derived non-plastic products, and produces modo-cell®, a biodegradable and recyclable plastic alternative material made primarily from plant fiber (cellulose). Going forward, we will expand the sales channels for modo-cell® through a sales agency agreement. In addition, we have one of the largest paper recovery networks in Japan, and we plan to focus on recycling this product by utilizing the network.



Image courtesy of AmicaTerra Co., Ltd.

Oji Fiber

We made Oji Fiber Co., Ltd a subsidiary, which is engaged in the manufacture and processing of paper yarn and other textile products made mainly from paper. The company manufactures "Paper yarn OJO", a paper yarn made from Manila hemp, which has numerous characteristics such as being lightweight, water absorbent, quick drying, tough, deodorizing, dyeable, and biodegradable. The company also manufactures, processes, purchases, and sells paper yarn textile products, and its end products range widely from apparel to artificial turf. In particular, as plastic artificial turf is said to be a source of river and ocean pollution, the introduction of artificial turf made of paper yarn manufactured by the company for indoor and outdoor courts will reduce environmental impact. The artificial turf made of paper yarn has already been introduced at some futsal grounds.



Artificial turf made of paper yarn Jeans made of paper yarn

Ranpak

In September 2022, we signed a distributorship agreement with Ranpak B.V., a leading paper cushioning material company. The company provides packaging solutions in 50 countries around the world, including sales of paper protective packaging materials such as cushioning materials and the leasing of packaging equipment. Paper protective packaging materials are mainly used for gap filling, cushioning for heavy loads, wrapping, and cold storage packaging.

By switching from plastic protective packaging materials such as airbags, bubble cushioning materials, and foam cushioning materials, which are currently the mainstream, the environmental impact can be reduced, the time required for packaging can be drastically reduced, and packaging work can be standardized. Accordingly, we believe that demand for paper cushioning materials will continue to increase, especially in the e-commerce industry.



Gap filling



Cushioning for heavy loads



Wrapping



Packaging equipment (e.g.)

China

Keishin Papers Trade

Major Locations
Shanghai, Beijing, Nanjing, Wuxi, Hangzhou, Jinan, Shenzhen, and Guangzhou

Main Businesses and Products

- Processing and sale of papers



Review of the Fiscal Year Ended March 31, 2022

In the fiscal year ended March 31, 2022, while market conditions were very difficult due to the strong impact of the so-called zero-COVID policy in China, we were able to compete well through teamwork. We have also expanded our locations mainly around coastal China and gained access to a diverse range of markets. In terms of market conditions, while we were affected by the sharp decline in

the Chinese paperboard market, we were able to minimize losses by collaborating with suppliers. Overall, we were able to make profits for the fiscal year ended March 31, 2022, thanks in part to the impact of the appreciation of the Chinese yuan and the benefit of foreign exchange gains.

Direction for the Fiscal Year Ending March 31, 2023

We will raise the sales ratio of packaging paper, a growth area, and expand trade by utilizing the KPP Group network to improve profit margins and maximize profits. Another challenge is to promote DX in sales activities and provide high-performance customer services. In addition, we will increase handling and expand sales of FSC-certified products and products that are de-plasticized and have a reduced environmental impact.

Antalis Shanghai, which joined the Keishin Group this fiscal year, mainly handles imported high-grade paper and has no overlap with existing customers, so we will develop

new market domains by enhancing synergy effects through sharing market and customer information. In addition, by combining the KPP Group's import purchasing resources with Antalis' customer resources, we will mutually expand business through cross-selling and other means, with the aim of increasing revenue.

In organizational management, to strengthen governance, we will produce and distribute an employee handbook and develop company rules, regulations, and workflow, including a review of commendation and disciplinary standards.

Strengths	Weakness				
<ul style="list-style-type: none"> ● A full range of supply sources from KPP, Antalis, and Spicers locations around the world, in addition to products from Japan and China ● Ability to export Chinese products to Group company locations around the world 	<ul style="list-style-type: none"> ● As the company continues to grow rapidly with locations in coastal China and the addition of Antalis Shanghai to the group, there is a need to ensure that internal governance is in place 				
<table border="1" style="border-collapse: collapse; width: 40px; height: 40px;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">S</td> <td style="width: 20px; height: 20px; text-align: center;">W</td> </tr> <tr> <td style="width: 20px; height: 20px; text-align: center;">O</td> <td style="width: 20px; height: 20px; text-align: center;">T</td> </tr> </table>	S	W	O	T	<ul style="list-style-type: none"> ● Concerns about the global macroeconomic outlook ● Impact of the zero-COVID policy and real estate market conditions within China on business conditions ● Unstable market conditions in China's papermaking industry
S	W				
O	T				
Opportunities	Threats				

Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)

Policy

1 Establish a Marketing Team to Develop New Market Domains

- Although Keishin's headquarters, branch offices, and Antalis Shanghai each have information on useful business partners, we were not able to fully utilize this information before. In the future, information will be centralized at the headquarters, and each location will share necessary information. This will generate synergies throughout China and lead to the development of new projects.
- The addition of Antalis Shanghai to the Keishin Group gave the company access to a highly profitable niche market. Going forward, while transforming its business portfolio, the company will establish and strengthen a company-wide selling system to differentiate itself from its competitors.
- The company will work on exporting to overseas growth markets of products it has not handled before, and importing products from overseas.

2 Sell Environmentally Friendly Products and Services

- The wave of de-plasticization is also spreading in China. To seize this commercial opportunity, the company will propose products that reduce environmental impact, such as promotion of paper solutions and reduction of plastic use, to paper container users, leading to new projects.
- The company will increase its handling of FSC-certified products and materials with reduced environmental impact.



3 Promote Low-cost Management and DX by Improving Operational Efficiency

- Analysis of operations at headquarters, branch offices, and subsidiaries is underway. We are considering consolidating the administrative operations of branch offices and subsidiaries in China to the headquarters, where it is possible to do so. In addition, in order to develop efficient sales activities in the Chinese market, the company will consider consolidating some of its sales divisions.
- With support from the headquarters of Kokusai Pulp & Paper, we will thoroughly share internal information through a portal and improve operational efficiency through DX for both sales and administration. The medium-term goal for the future is to realize online sales.



Specific Initiatives

Export Sales of Chinese Goods

In the past, the main business was to import high-quality Japanese products and sell them to Japanese companies in China or local companies in China. However, as the quality of Chinese manufacturers' products has improved and they can be offered at relatively low prices, opportunities to export Chinese products not only to Asian countries such as Southeast Asia and India, but also to Western countries are increasing. In the future, the company will utilize the KPP Group's sales network, which has expanded to approximately 45 countries and regions around the world, to expand exports of Chinese products to the entire world.



Oceania, Southeast Asia, India

Message from the CEO of Spicers



David Martin

CEO, Spicers and KPP ASIA-PACIFIC

Navigating severe supply chain disruptions has been an opportunity to prove our reliability to our customers, and this has been the hallmark of our success in the past year. With strong teamwork, and work ethic, our people have become an increasingly valuable partner to our customers and suppliers, across the region. The expansion of the business through integrated acquisitions in Australia, New Zealand and now Singapore, has supported improvement in our core business, while providing diversification in parts of the region in need of new growth horizons. Developing the capability of our teams has been, and will continue to be, necessary for us to progress toward our mid-term plan.

Across twelve product verticals, our Australian and New Zealand businesses have built growth through an internal technical capability in each vertical. Through acquisitions, the attention on complementary business and achieving synergies has delivered strong positions in both the Print & Packaging and Visual Communications businesses. Expanding the range of verticals into the Asia Pacific region is now underway with the expansion into Visual Communications, with the acquisition of Singapore Inkjet Infotech (SII) in Singapore. We fully expect to expand further across the region, which will need an approach for each country given there are no regional players, apart from KPP Asia Pacific.

With businesses across our region becoming more relevant to each other through diversification, there is even more reason for our teams to collaborate with one other, to assist each other's growth. Our experience in merger

integrations is strong, and as one geography adds a product range to their portfolio, there is another business in the region with strong experience in it. We are in a phase of "business building" and this provides a wonderful opportunity for our people as our profitability grows. A culture of support for each other and an open connection between our team members is making the difference.

Our profitable growth relies on productivity, and our digitization strategy will help us achieve this, along with business process simplification. One ERP system per sub-region gives the optimal operating model for each business as we integrate businesses local to the in-country system. It better enables our local E-commerce plans and focuses the skills required in the business. It will always be a feature of our integration strategy, to provide the optimum productivity for the business and people.

The many members of our team have all executed the businesses plans through 2021 and 2022. It has also been a feature of the business to invest in their development. To take our business in the direction we plan, we have needed to build the capability of the team in both training and experiences. With change comes challenge and to have the team ready to take on the challenges we will face, builds a smoother path for everyone to operate along. We have also attracted new team members, and we have welcomed their early contribution. People deal with people, and we want customers, and suppliers, to want to deal with OUR people. We wish everyone continued personal, and business, success.

Oceania

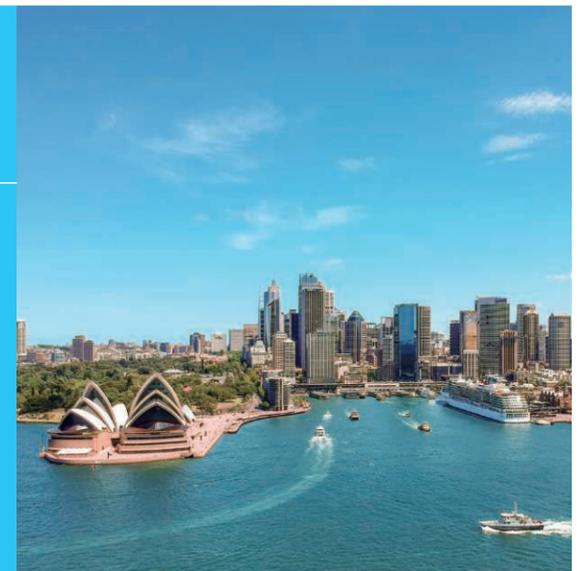
Spicers

Major Locations

Sydney, Melbourne, Brisbane, Perth, Adelaide, Hobart, Townsville, Darwin, Auckland, Christchurch, Palmerston North, Wellington

Main Businesses and Products

- Print & Packaging Business
- Visual Communications Business



Review of the Fiscal Year Ended March 31, 2022

The calendar 2021 year provided strong, and progressive, results for the business across Oceania and Asia Pacific. With benefits coming from strong inventories, the year closed well given the sales lift across the breadth of our range. The business grew organically in every part of the region and followed into 2022 with similar momentum. A return to demand for Specialty Premium Fine papers in Asia was stilted, but evident, and the commodity business along with trading closes, delivered the expected result in 2021.

Two acquisitions featured in 2021, specifically in New

Zealand, where the opportunity was taken to solidify our position in both Visual Communications and Industrial Packaging. The teams at Blueprint and Universal Packaging joined our business and have integrated extremely well, to provide an opportunity for our business to grow even further. With strong expertise in these businesses, we are pleased that the teams, and previous owners, see a future with Spicers New Zealand and have become valuable members of our team there. We welcome everyone!

Direction for the Fiscal Year Ending March 31, 2023

2022 has commenced with strong demand, and returns, in Oceania. Asia Pacific has taken longer to recover, yet the pipeline for the second half is building. Whilst focusing our attention on growth for the balance of the year, the businesses will close on the pipeline of productivity projects to build resilience in our profitability

for 2023. Our digitization projects planned for 2022 (ERP and Ecommerce) will be completed in 2022, with our footprint consolidation strategies to be executed early-to-mid 2023. Efficiency and productivity remain a key feature in the delivery of our returns.

Strengths	Weakness
<ul style="list-style-type: none"> • Incredibly talented people and strong brands • Economies of scale in two revenue streams, Print & Packaging and Visual Communications • Strong product ranges and expertise • High customer satisfaction with our local locations and services • Management of leading indicators leading to expected changes in demand • Appropriate inventory management and foresight 	<ul style="list-style-type: none"> • System integration after acquisitions requires additional investment to achieve sufficient synergies
<ul style="list-style-type: none"> • Enabling more opportunities for our customers to grow their business through new product introduction across 12 product verticals • To grow 1:1 with our customers as we build scale and offer them more options 	<ul style="list-style-type: none"> • Unpredictability of both the business and the world's economic climate • Negative impact of the still lingering the COVID-19 pandemic
Opportunities	Threats

Already, 2022 has featured acquisitions in Singapore and Australia respectively.

SII has enabled our entry into the Visual Communications sector in Asia Pacific. Having integrated well into our business in March, these products are now enabling opportunities across our current KPP Antalis customer base, and across geographies into other countries. Building on our talent capability in other countries will support our growth aspirations there, which our team in Singapore is already delivering. This is a very exciting opportunity

for the Asia Pacific team.

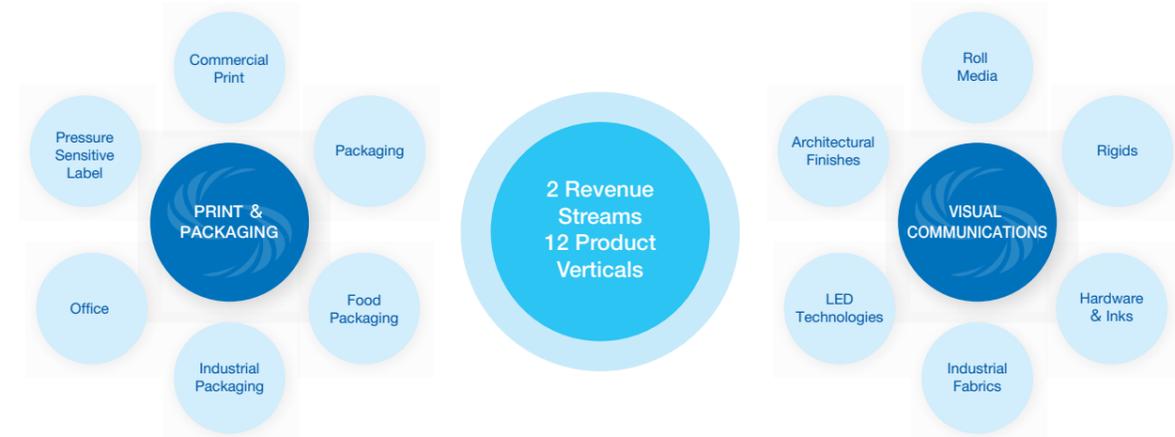
Cypruspine Wrappings, joining our Print & Packaging team in Australia, broadens the Spicers customer base in our traditional Food Packaging business. New product sourcing broadens our offering in a segment identified to have strong organic growth for the business, still retaining our fibre-based focus. With SII and Cyprusine, we have welcomed talented people to our team, and we have great expectations of the impact these investments will have on our growth in 2022 and beyond.

Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)

Business Models and Priorities

We have multiple opportunities to grow within our current business model. Our market position is not evenly matched across our range and given our expertise there, we can expand both organically and by acquisition to build our scale in each sector. Our priority is to focus on profitable business expansion, which delivers on more than simply revenue for our business.

To 2024, the returns for the business are planned to expand by 3X over the three-year period of 2021 - 2024. Our blend of organic and acquisition growth will also bring new sector opportunities, still with synergies in our operating model. We prioritize profitability over rapid revenue expansion and expect that with expansion, we offer our people wonderful opportunities for personal growth.



Priorities

- Deliver profitable growth - our business and customers to benefit
- Team connection, development and safety
- Efficient growth - digitization and automation
- Sustainable portfolio and business operations

Specific Initiatives

Release of the Sustainability Catalog *Environs*

In June 2022, we released *Environs*, a catalog that lists all of our products and solutions that contribute to reducing environmental impact. In addition to paper-based products, polypropylene products, non-polyvinyl chloride products, we offer environmentally friendly options throughout the entire process ranging from materials and production processes to

product sales, use, and disposal. The catalog also includes various content on sustainable goals and practices and tips to consider for product design. We will continue to create innovative and sustainable solutions to meet the needs of the current market and to pass on a healthy global environment to future generations.

Southeast Asia and India

KPP AP

- Major Locations
Singapore, Bangkok, Ho Chi Minh, Jakarta, Kuala Lumpur, Manila, Bengaluru
- Main Businesses and Products
 - Distribution Business
 - Trading Business

Strengths	Weakness
<ul style="list-style-type: none"> ● Expansion of business operations across a broad geography ● Provision of services at multiple locations ● Expansion of business model realized through collaboration among locations ● Brand strength representing manufacturers across the region 	<ul style="list-style-type: none"> ● In the process of organizational merger and lacks integration
<ul style="list-style-type: none"> ● Diversification of business across the ASEAN region ● Flexible business models depending upon each country ● Potential for sales growth 	<ul style="list-style-type: none"> ● Continued impact of COVID-19 ● Severe impact of economic growth on our traditional portfolios
Opportunities	Threats

Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)

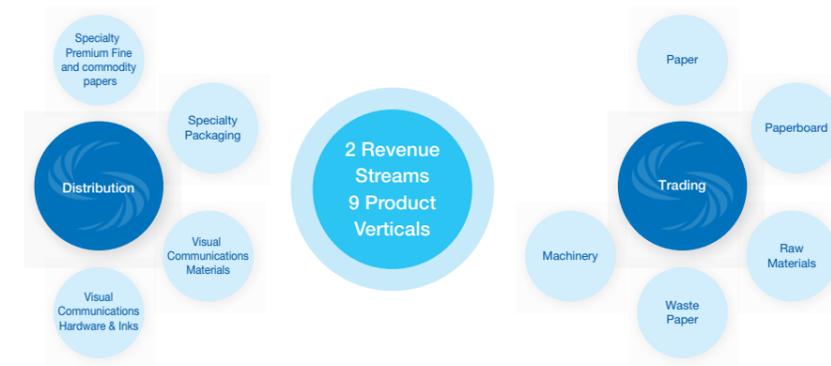
Our priority is to diversify our Asia Pacific business, mostly via successful acquisitions. Supply disruptions have challenged our Trading revenue, leading our immediate focus to be on the productivity of this revenue stream. Reducing our cost per transaction is a priority as we balance our returns with our cash generation there, and as supply remains challenged.

Comparing our Distribution business with our models in other regions, we have plenty of scope to broaden our offering. In a strategy blended with organic and acquisition growth, we will develop business in each country which provides true potential, versus simply replicating our models elsewhere. We will prioritize sectors where we see a gap in either the service, or product approach our customers currently experience.

Our value in Distribution is serving a fragmented customer base with immediate service and access to leading brands.

Priorities

- Deliver profitable growth - diversification and productivity
- Invest by geography - diversify country revenue reliance
- Enhance team capability - connection and development
- Sustainable portfolio and business operations



Europe, North America, South America

Message from the CEO of Antalis



Hervé Poncin
CEO, Antalis S.A.S.

2022 will certainly be one of the most turbulent years that we have seen for many decades now in Europe. Following an unexpected worldwide long pandemic and its aftermath – disruption to product availability and supply chain, restart of inflation, sudden implementation of home office – the invasion of Ukraine by Russia at the end of February has triggered phenomenal worldwide changes in the political, social and economic environment.

Extraordinary 2-digit inflation combined with an energy crisis, especially on gas, is now severely impacting household and business activities across Europe as well as creating currencies turbulence.

In this overall context of inflation management, Antalis, with the support of KPP, did well in 2021 and continues to do so in 2022 thanks to its robust business model combining supply chain efficiency with human and digital sales; but also thanks to its broad sector and country coverage, its customer offering in products and services, its reliable supplier relationships and the continued commitment of its teams.

On the top line side, we have focused a lot of our business attention on margin management through consistent monitoring of sale prices in order to cope with unavoidable “Cost Of Goods Sold” increases and by managing inflation as closely as possible per country and sector.

Our past and current significant investment in logistics flexibilisation and information systems have

allowed us to cope with an important increase in stock demand from our customers during the first semester 2022 despite global sourcing difficulties, in particular with one of our key Papers suppliers itself impacted by a very long strike.

Our web shop sales are consistently increasing as we are attracting more and more prospects with our unique online offer and new functionalities.

From an organisational standpoint, a new set-up comprised of more hybrid working (office and home) and adapted digital processes to interact with business partners is now the “new norm”. We have significantly invested in training our teams – from employees to managers – to adapt to this new way of working.

Finally, Antalis has strengthened its focus on ESG criteria, an area that is becoming increasingly more important to our stakeholders. For instance, we have extended our eco responsible product assortment that is measured through our Green Star system rating.

Let’s face it, we are sure to encounter more challenges and troubled waters in the near future due to the very uncertain worldwide context. However, we are confident to successfully navigate our way through based on the good relationship that we have established with our customers and suppliers and the reactivity and efficiency of our teams to anticipate solutions.

Europe, North America, South America

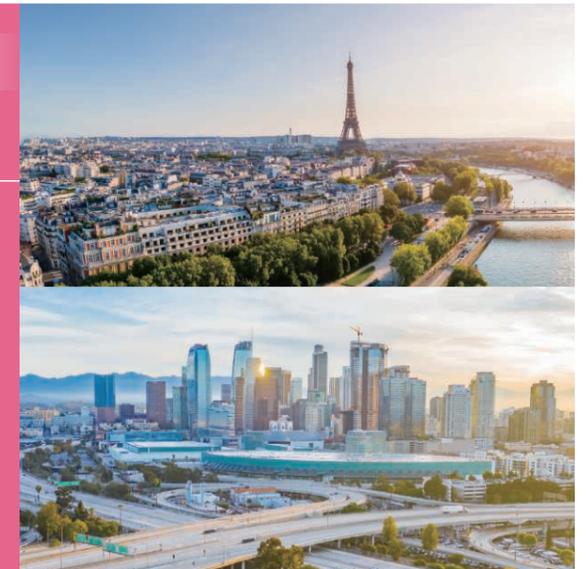
Antalis

Major Locations

Paris, Birmingham, Dublin, Madrid, Köln, Stuttgart, Zurich, Amsterdam, Warsaw, Prague, Stockholm, Copenhagen, Riga, Istanbul, Santiago, Lima, etc.

Main Businesses and Products

- Paper and paper-related products
- Packaging Business
- Visual Communications Business



Review of the Fiscal Year Ended March 31, 2022

2021 was a unique year of economic rebound after the 2019/2020 Covid pandemic in Europe, with a progressive restart of trade activities before the summer, ramping up to reach full speed in Q4 2021. GDP growth was high with + 5.4% after the significant 2020 drop. Pressure on raw materials availability and worldwide supply chain challenges began to show, as well as the triggering of higher inflation.

In this context, the European Papers market strongly grew in volume by more than + 8% combined with significant price increases linked to inflation of manufacturing and pulp and energy costs, generating product supply allocations for many actors. Visual Communication demand benefited from the

global market rebound with the restart of tourism and public events while Packaging demand also remained strong.

Antalis performed well in all of its business sectors and geographies (including Latin America which exited from the pandemic later in the year), capitalising on a satisfied customer base and leveraging on its warehouses and transportation infrastructure to service the needs of its customers for fast and reliable supply from large quantities of available stock. The new version of the Antalis web shop and inspirational web site was successfully rolled out in most countries to offer customers and prospects new ways of finding suitable products and ordering them in a seamless manner.

Direction for the Fiscal Year Ending March 31, 2023

Antalis is pursuing the implementation of its strategy, focused on the business development of the Papers, Packaging and Visual Communication sectors powered by e-business.

This is notably achieved by organic growth thanks to dedicated sales

and marketing teams per sector per country with specific assortment enrichment while leveraging from shared logistics and back office infrastructure.

On top of organic growth, an active acquisition strategy per sector

Strengths	Weaknesses
<ul style="list-style-type: none"> • Sound and satisfied customer base • Leading position in the 3 Business Sectors • Wide Products and Services ranges • Efficient Supply Chain • Excellent teams in Sales & Marketing, Supply chain and Back-office • Powerful web shops • Strong shareholder and external financial support • Profitability and investment capacity of Antalis 	<ul style="list-style-type: none"> • Still some too much dependency on Papers market in some countries • Ageing population of Antalis teams
<ul style="list-style-type: none"> • Antalis e-Business Growth • Acquisitions in the 3 Key Business Sectors • Expansion in North America • Weakness of some competitors 	<ul style="list-style-type: none"> • Slowing down of overall market demand caused by GDP reduction • Papers consumption decrease linked to digitalisation of communication • Sourcing difficulties linked to energy crisis • Aggressive competition
Opportunities	Threats

has been deployed to reach enough critical mass in numerous countries in Europe and Latin America and to participate to market consolidation. Two acquisitions in the Packaging sector were finalised in the first semester of 2022: BB Pack Group in Germany and Cohal Group in Spain. The American continent may also offer new opportunities for development.

On the e-business growth power, we have now deployed our new "state of the art" B-to-B web shop in most continental European countries to allow customers and prospects to place seamless orders and to obtain numerous pre- and after- sales information.

We will strengthen our Services strategy to capitalise on already

existing Services such as "Easy Stock" or "Smart Packaging Solutions" and innovate in new areas.

Finally, we will continue to reinforce our global Sustainability Strategy based on four pillars: Governance, Products & Services eco-responsible offer, People management and Environment with a specific focus on our Carbon footprint.

An energy and gas crisis is likely to happen in the second semester of 2022 creating supply issues as well as market demand slowdown in line with GDP decrease. Inflation and interest rate rises will require the same attention on margin management across all sectors. The above strategic axes will certainly support Antalis performance for the months to come.

Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)

Implement of Strategy

1 Focus growth on 3 Business sectors

- Reinforce leadership in Papers distribution
- Grow Packaging and Visual Communication through organic growth by leveraging on business development initiatives and through external growth with targeted acquisitions

2 Increase the Digital "Power-e" initiative

- Develop e-sales through our new web shop functionalities
- Increase prospection by rising the web visibility of Antalis thanks to our inspirational country websites
- Connect large customers with EDI (Electronic Data Interchange)

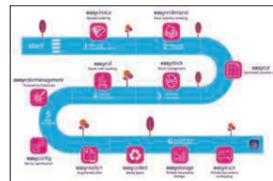


3 Expand international accounts management (AIKA - Antalis International Key Account)

- Develop international customers with dedicated key account sales force to strengthen our global presence

4 Provide new Services

- Market a full range of Services to support and develop our customers' businesses through the "Easy for You" concept and "Smart Packaging Solution"



5 Continue the deployment of efficient IT solutions

- Continue the roll out of SAP and CRM systems in additional countries to capture best business practices and reinforce reliability of customer offering

6 Optimise the supply chain infrastructure

- Reinforce supply chain infrastructure with new central warehouses in some countries (e.g. in Chile or Finland) and leverage on multi-country combined warehouses to optimise product assortment for a better availability for customers

7 Develop careers through training programs

- Deliver functional learning paths to Antalis employees to develop specific skills and expertise needed to meet current and future business needs through academies such as the Digital or Purchasing Academy and the continued deployment of business Academies for Packaging and Visual Communication

Specific Initiatives

Vehicle wrapping

Vehicle wrapping – a strongly growing market – is a technique to cover up a vehicle with a specific adhesive for a temporary period, generally associated with commercial use for advertising & promotion. It was therefore quite natural that Antalis chose to reinforce its position in this market, as part of our Visual Communications sector, by signing a distribution partnership with a leading American manufacturer of pressure-sensitive adhesive vinyl for the sign and graphics industry.

Antalis has built a central logistics infrastructure for Europe located at the Cologne warehouse of Antalis Germany. From there, customers are

delivered throughout Europe with a parcel transport service in D + 2/3.

Antalis continues to expand its contact portfolio to the entire ecosystem in order to be well identified by customers, prescribers and decision makers.

Acquisitions

In April 2022, Antalis acquired the BB Pack Group in Germany, expanding its footprint in the fast growing Packaging market for e-business companies.

With this acquisition in the largest European economy, Antalis has restarted a new expansion wave combining organic growth and acquisitions

to strengthen its positions in a rapidly evolving market with a promising future.

In June 2022, Antalis acquired the Cohal Group, a leading supplier in the Spanish self-adhesive labels and packaging products distribution market. This acquisition opens up profitable new growth opportunities to Antalis in the labelling segment driven by automation, digitalisation and intelligent label functionalities. With the Cohal Group, Antalis will be able to capitalise on its position in the converting and distribution business, at first in Iberia but also in the rest of Antalis' European countries.



Customer satisfaction survey

In July 2021, Antalis conducted a worldwide customer satisfaction survey with the support of a specialised research company. This survey had several objectives: firstly, to measure customer satisfaction on key points of Antalis' offering from sales approach to Services; secondly, to monitor the evolution since the previous satisfaction survey carried out in 2018; and thirdly, to identify priorities for improvement.

The survey was performed in 24 countries with 6,105 identified respondents, the targets being new & regular customers plus prescribers.

The feedback was very positive, resulting in a satisfaction score of 8.4 on a scale of 10 and a NPS (Net Promoter Score) of + 49.

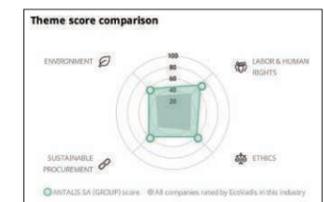
Antalis' future business development can therefore be based on a solid and overall satisfied customer base.

CSR assessments: EcoVadis

EcoVadis provides holistic sustainability rating services of companies based on documented evidence reviewed and analysed by third party experts.

The EcoVadis Rating covers a broad range of ESG guidelines including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement impacts. Each company is rated on the material issues as they pertain to their company's size, location and industry.

Such assessments are refined into easy to read score-cards, providing zero to one



hundred (0-100) scores, and medals (bronze, silver, gold, platinum), when applicable.

In 2021, Antalis was awarded a Silver medal with a score of 64/100, a ranking never before reached and with scores higher than industry averages in every category.

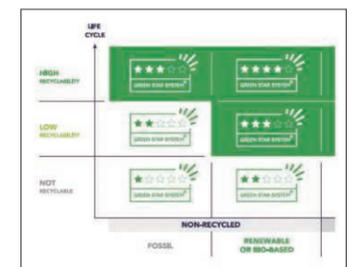
Antalis aims to continually improve its overall sustainability performance.

Environmental display for our products: The Green Star System™ by Antalis

The Green Star System™ has been implemented for our 3 Business sectors: Papers, Packaging and Visual Communication.

This system, giving a product a star rating from 0 to 5 based on environmental performance, is built upon universally recognized standards used to rank products and services. It can be easily understood by all of our stakeholders without the need to decipher the meaning behind the increasing number of green certifications and labels that exist today.

As such, this self-explanatory system can be used by companies to select Papers, Packaging products and Visual Communications media and to communicate about their environmental efforts with their own stakeholders.



FSC-PEFC multisite

Antalis has developed a responsible sourcing framework based on its Code of Conduct, the European Union Timber Regulation (EUTR) and the UN Global Compact principles, to ensure sustainability and responsibility in all of our sourcing activities, including wood pulp and paper sourcing. This framework and the associated principles are detailed in the "Sustainable wood fibre-based products sourcing policy" of our Group.

In order to provide guarantees of traceability and proper management of the associated forestry resources, Antalis relies on two responsible forest management standards: the FSC® and PEFC certifications. Since 2010, Antalis has been guaranteeing the transparency and reliability of its supply chain by putting in place FSC® and PEFC multi-site certification – covering 34 of its sites in 2022 – which are independently audited by a third party body on a yearly basis.



Sustainability Framework

KPP Group Basic Policy on Sustainability

The KPP Group will contribute to the realization of a sustainable society through the operation of a totally recycling-oriented enterprise based on the basic philosophy of the KPP Group Way.

Furthermore, we perceive the environment, society, and governance to be important aspects of management and will identify material issues and engage in the resolution of the issues related to business activities.

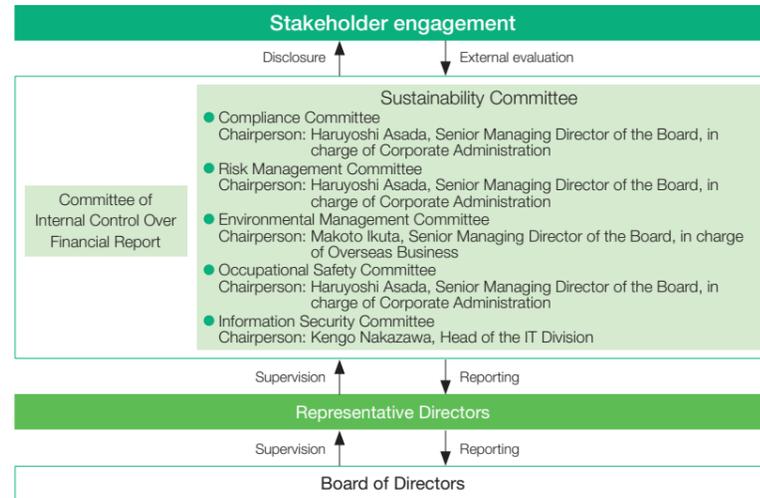
Material Issues of the KPP Group

Global expansion <ul style="list-style-type: none"> Creation of Group synergies Internal communication 	Implementation of green business <ul style="list-style-type: none"> Resolution of the marine plastic pollution problem Recycling and waste reduction 	Diversity & inclusion <ul style="list-style-type: none"> Ensuring diversity Utilization of diverse personnel
Response to DX <ul style="list-style-type: none"> Expansion of e-commerce Development of new systems 	Climate change countermeasures <ul style="list-style-type: none"> Development of solutions to prevent global warming Reduction of CO₂ emissions 	Enhancement of governance <ul style="list-style-type: none"> Compliance Information security Risk management

Sustainability Management

Under the KPP Group Way, we have formulated the KPP Group Basic Policy on Sustainability and are working to enhance our corporate value by contributing to the creation of a sustainable society. The Sustainability Committee, chaired by the Chairman & CEO, is responsible for sustainability management and reports to the Board of Directors on the progress of sustainability issues. Each of the subcommittees of the Sustainability Committee also sets its own issues, action plans, and KPIs for continuous improvement on a global basis, including overseas Group companies. The Sustainability Committee and its subcommittees meet twice a year, respectively.

Framework to Promote Sustainability



Subcommittees	Task
Compliance Committee	● Raise compliance awareness among employees and provision of other educational activities throughout the Group
Risk Management Committee	● Monitor and improve risk identification, analysis, evaluation, and response ● Evaluate and improve the company-wide BCP system
Environmental Management Committee	● Measures to address climate change ● Evaluate and improve environmental management system
Occupational Safety Committee	● Manage occupational safety including at domestic subsidiaries and affiliates
Information Security Committee	● Enhance IT governance of the entire Group and take measures to mitigate IT risks ● Conduct activities to increase employees' security awareness

Stakeholder Engagement

Stakeholders	Examples of measures taken
All stakeholders	● Issuance of Integrated Reports, corporate brochures, and the TSUNAGU public relations magazines, and information dissemination through the corporate website
Customers	● Solving challenges through daily sales activities, conducting product briefings, offering samples, holding and participating in exhibitions, producing and distributing product catalogues, and selling paper and paper-related products through the PAPER MALL e-commerce site
Suppliers	● Performing fair business transactions, strengthening collaboration through regular information exchange, holding business meetings, conducting plant tours, and actively disclosing information
Community and environment	● Holding community events, holding workshops on paper culture, making donations upon the occurrence of disasters, maintaining ISO 14001 certification, maintaining forest certification (CoC certification), sponsoring forest conservation activities, supporting the World Food Programme (WFP), and donation to food banks
Employees	● Distributing messages from top management, offering various human resources development programs, providing health counseling sessions by occupational physicians, implementing and analyzing stress checks, issuing Group and internal newsletters, providing a whistleblowing system, and conducting employee satisfaction surveys
Shareholders and investors	● Disclosing materials for General Shareholders' Meetings and financial results briefings, issuing annual reports and interim reports, disseminating and disclosing information on the corporate website in a timely manner

Initiatives to Resolve Social Issues and Strengthen Business Foundation

SDGs	Issues	Countermeasures	Achievements	Page stated on
E	Creation of a recycling-oriented society	Establishment of a paper recovery network and selling raw materials for recovered paper	<ul style="list-style-type: none"> Collected and recycled more than 60% of the base paper sold Developed RISANET, a nationwide network of recovered paper wholesalers in Japan Developed paper recovery solution, ecomo series 	To p. 52
	Response to climate change	Endorsement of TCFD and disclosure of information related to climate change countermeasures	<ul style="list-style-type: none"> Announced our endorsement of the TCFD in June 2022 and disclosed information related to governance, strategy, risk management, and indicators and targets, as well as environment-related information through various channels, including submission of CDP responses 	To p. 49
		Development and distribution of products and services with reduced environmental impact	<ul style="list-style-type: none"> Operation of Green Star System™ by Antalis and publication of <i>Enviroirs</i>, a catalog of products with reduced environmental impact, by Spicers 	To p. 41/ p. 46
	Marine plastic pollution problem	Spread of renewable energy	<ul style="list-style-type: none"> Development and sales of BMecomo, a support system for optimizing biomass power plant operation, and incorporation of BMecomo 	To p. 35/ p. 52
		Promotion of Green Biz Project	<ul style="list-style-type: none"> Regularly held project meetings (6 meetings in the fiscal year ended March 31, 2022), worked on development and distribution of Green Products and Green Solutions 	To p. 52
Biodiversity preservation	Forest conservation and reforestation	<ul style="list-style-type: none"> Support for the C. W. Nicol Afan Woodland Trust Newly started support for forest creation activities in the south area 	To p. 53	
	Utilization of managed forest resources	<ul style="list-style-type: none"> Expanded the handling of forest-certified products 	To p. 51	
S	Human resources development	Introduction of fair personnel system and implementation of evaluation	<ul style="list-style-type: none"> Introduced mentor system Provided appropriate feedback on evaluation 	To p. 55
		Education	<ul style="list-style-type: none"> Introduced e-learning to support self-development Implemented career interviews for promoted employees and training by rank 	
	Development of an employee-friendly work environment	Diverse work systems	<ul style="list-style-type: none"> Telework work system (specified teleworkers) Leave of absence and shorter working hours for childcare or nursing care Established childcare leave system for births in October 2022 	
		Prevention of harassment	<ul style="list-style-type: none"> All employees: 100% participation rate in anti-harassment training Managerial positions: 100% participation rate in anger management training by outside instructors 	To p. 56
		Response to long working hours	<ul style="list-style-type: none"> Improved operations and efficiency through operational reform projects Improved appropriate time management by gaining an understanding on the actual status of overtime work Reinforced interviews with industrial physicians 	
Diversity & inclusion	Improvement of work-life balance	<ul style="list-style-type: none"> Development of an employee-friendly work environment 		
	Promotion of women's career advancement	<ul style="list-style-type: none"> Plan of Action for Promoting Women's Career Advancement (April 1, 2022 to March 31, 2026) Ratio of women in managerial positions: 3.0% Ratio of female employees hired for the main career track: 35.7% 	To p. 55	
	Diversification of hiring practices	<ul style="list-style-type: none"> Hired foreign students Secured human resources with the ability to make an immediate impact through mid-career recruitment Employment of persons with disabilities 		
Raise awareness of paper culture and book culture	Dissemination of information on paper culture and book culture	<ul style="list-style-type: none"> Public relations magazine <i>TSUNAGU</i> published (The 50th anniversary issue) Display of Sendai Tanabata decorations Support for papermaking class at Miyanomori Elementary School, Higashi-Matsushima City 	To p. 54	
Reduction of poverty and hunger	Various types of support	<ul style="list-style-type: none"> Support for United Nations WFP Donation to food banks 		
G	Enhancement of corporate governance	Strengthening of global governance structure	<ul style="list-style-type: none"> Established global risk management and incident management structure 	To p. 57
	BCP	Disaster and incident response	<ul style="list-style-type: none"> Reinforcement of measures by the COVID-19 Response Headquarters Established Fukushima Earthquake BCP Headquarters on March 16 (disbanded on April 4) 	—
		Evacuation drills Safety confirmation drills	<ul style="list-style-type: none"> Disaster prevention drills Safety confirmation system drills 	—
Reinforcement of information security	Reinforcement of Group-wide security	<ul style="list-style-type: none"> Deployment of the standard system KAEDE to Group companies → Introduced at Narumiya Kami-shoji and KPP Logistics Conducted targeted e-mail attack drills 	—	



Disclosure about Climate Change Corresponding to TCFD

Climate change caused by rising greenhouse gas concentrations has led to increases in average temperatures and sea levels, resulting in a variety of impacts on the natural environment. A plastic-free trend is spreading worldwide in the market backed by the UN resolution on SDGs, and the movements to reduce environmental impact are accelerating. Recognizing that the impact of climate change on our business is an important issue, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. Going forward, we will reflect the results of analysis of risks and opportunities to our business posed by climate change in our management strategy, and work to achieve sustainable social and economic development in coexistence and harmony with the natural environment.

Governance

We recognize climate change as one of our key management issues. The Board of Directors is responsible for climate-related issues and receives reports twice a year from the Sustainability Committee on sustainability matters, including our response to climate change. In 2021, we received reports on matters related to climate change, such as greenhouse gas emissions reductions, and we monitored their progress and made recommendations to help reduce environmental impact.

The Sustainability Committee is chaired by the Representative Director of the Board, Chairman & CEO. The Sustainability Committee receives reports on climate-related issues twice a year from the Environmental Management Committee and Risk Management Committee, and receives advice and guidance from the Board of Directors on how to address issues such as greenhouse gas emissions reduction and risk management.

Governance Structure for Climate Change



Strategy

Risks and opportunities from climate change are expected to include tighter regulations toward a decarbonized society, innovations in low-carbon technologies, market changes in response to climate change, and disasters caused by climate change. In identifying climate-related risks and opportunities with business and financial impacts, we have identified and organized various risk and opportunity factors that could impact the Company, taking into account the 2°C scenario for a decarbonized society and the 4°C scenario for a fossil fuel-dependent society, based on the IEA* climate change scenarios. The main risks and opportunities are as follows.

*IEA: International Energy Agency

Assumed Scenarios and Main Climate-related Risk and Opportunity Factors That Could Impact the Business

		2°C scenario Scenario for a decarbonized society	4°C scenario Scenario with fossil fuel dependence
Transition risks	Regulations	●Stricter greenhouse gas emissions regulations such as carbon pricing	—
	Market	●Increased demand for environmentally certified products	—
	Reputation	●Stricter evaluation of efforts to address climate change issues, increased demand for information disclosure	—
Physical risks	Technology	●Declining prices for competing renewable energy (solar, wind, etc.) ●Shift in demand from woody biomass fuels due to increased demand for herbaceous biomass fuels	—
	Acute	—	●More frequent and severe flooding (typhoons, torrential rains) ●Deterioration of water quality (increased turbidity in intake rivers, etc.)
Transition and opportunities	Chronic	—	●Ecosystem changes, abnormal occurrence of pests and diseases ●Drought, worsening forest fires ●Changes in precipitation and weather patterns and increase in average temperature ●Depletion of water resources (changes in water supply and demand) ●Rising sea levels
	Products and services	●Expanding use of non-fossil energy ●Expansion of e-commerce markets ●Changes in consumer preferences ●Spread of eco-friendly packaging ●Formation of a recycling-oriented society ●Spread of biomass material products	—

■ Timeframe for risk manifestation and opportunity realization
Short term: Within three years Medium term: Over three years but within 10 years
Long term: Over 10 years

We evaluated the identified and organized factors from the perspectives of degree of impact on business and finances, timeframe for risk manifestation and opportunity realization, and likelihood of manifestation and realization. Accordingly, we organized the risks and opportunities that are important to us and the measures we will take to address them and capture opportunities in the future.

Transition Risks and Physical Risks

	Major risks	Impact on business	Period	Countermeasures
Transition risks	Regulations	●Introduction of carbon tax on operations ●Increase in operation and procurement costs due to introduction of carbon tax, etc. on procurement goods or greenhouse gas reduction measures	Medium term	●Active use of renewable energy and thorough and strengthened energy conservation ●Active selection of products with reduced environmental impact and promotion of green purchasing in consideration of the global environment
	Acute	●Increase in transportation and storage costs due to introduction of carbon tax, etc. to logistics centers, offices, and delivery vehicles	Medium term	●Joint delivery with other companies, improvement of delivery efficiency ●Improvement of business efficiency in logistics centers and offices
Physical risks	Acute	●Increase in restoration costs due to damage to company facilities and equipment; decrease in procurement volume and sales due to the suspension of operations	Medium to long term	●Promotion of disaster prevention measures at high-risk locations ●Reinforcement of collaboration among locations ●Review and enhancement of BCP
	Chronic	●Increase in procurement costs due to damage and the suspension of operations at suppliers ●Decrease in procurement volume and sales due to supply chain disruptions ●Decrease in procurement volume due to the suspension of operations at paper manufacturers caused by changes in water supply and demand; increase in water usage fees and procurement prices	Short to medium term Medium term	●Improvement of business resilience by strengthening supply chain, etc.

Opportunities

	Opportunities	Impact on business	Period	Measures to capture opportunities
Transition and opportunities	Products and services	●Spread of eco-friendly packaging	Medium term	Expansion of the Packaging Business according to market characteristics
	Chronic	●Changes in consumer preferences, changes in domestic and international laws and regulations	Medium term	Development and distribution of environmentally friendly materials and products
	Formation of a recycling-oriented society	●Increase in sales through increased business opportunities using various paper recovery services (ecom)	Long term	Establishment of a recycling-oriented business model through product sales and paper recovery
	Expanding use of non-fossil energy	●Increase in sales due to increased demand for wood for biomass power generation and operation support systems	Medium term	Development of biomass power plant operation support system

Future Initiatives Based on Analysis Results

Based on our scenario analysis, we believe that the transition risks may increase procurement costs because the burden of carbon tax and greenhouse gas reduction measures on supplier pulp and paper manufacturers is not insignificant and is expected to be passed on to purchase prices. For this reason, it is necessary for us to proactively consider the selection of products with reduced environmental impact that will have less impact arising from transition risks.

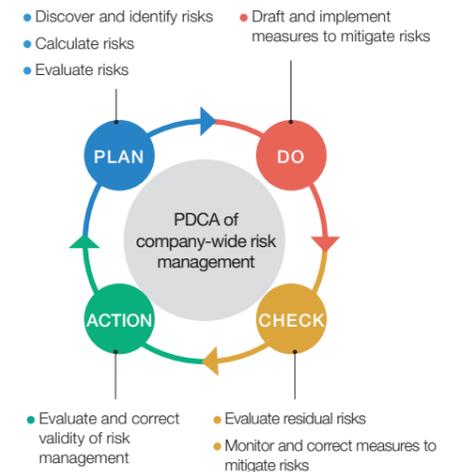
In terms of physical risk, an increase in severe disasters such as typhoons and torrential rains could result in damage and the suspension of operations for not only our own facilities, but also those of our business partners. If this disrupts the supply of products, it could have a significant impact on our business and finances, so we will continue to secure a wide range of procurement sources.

As for opportunities, demand for paper materials as packaging materials is increasing due to the spread of eco-friendly packaging. We will continue to expand our business areas, including the Packaging Business. In addition, in anticipation of expanding the use of non-fossil energy and the formation of a recycling-oriented society, we will actively take measures to capture business opportunities, including the development and provision of BMecomo, a biomass power plant operation support system, and the establishment of a recycling-oriented business model through paper recovery solution, ecomo series.

Risk Management

We evaluate material issues in terms of their importance to our business society. As a result, we have identified climate change countermeasures as one of the KPP Group's material issues.

In addition, as part of the process of assessing climate-related risks and opportunities, we assess their importance by taking into account their impact on our business and the likelihood of their occurrence. In the management process for climate-related risks, risks of high importance assessed by the Environmental Management Committee are reported to the Risk Management Committee. As a company-wide risk management system, risks that are judged to have a particularly significant impact on management are managed in accordance with the Risk Management Regulations through means such as establishing a response committee.



Indicators and Targets

Targets Related to Greenhouse Gas Emissions

We are implementing a totally recycling-oriented business model with the aim of realizing a sustainable society. In order to mitigate climate change, we will set targets for reducing greenhouse gas emissions from our own business activities by the next fiscal year, and will work to actively utilize renewable energy and thoroughly implement and enhance energy conservation. The scope of target setting will initially cover Scope 1 and 2. In the future, we will consider expanding the scope to include Scope 3 as well as overseas locations. By setting global targets, we will work to reduce emissions throughout the value chain.

Environmental data	FY2021	FY2020	FY2019	FY2018	FY2017
CO ₂ emissions by business operators (t-CO ₂)	1,797	1,854	2,001	2,247	2,355
CO ₂ emissions based on the ton-kilometer method	9,115	9,635	10,476	11,593	11,572

(Scope of aggregation: Domestic non-consolidated; aggregation for the entire Group is in progress)

Indicators Related to Net Sales of Products and Services That Contribute to Climate Change Mitigation

As a management indicator of our progress toward achieving our sustainability strategies, we also use net sales and sales volume of environmentally friendly paper and forest-certified pulp, which are products and services that contribute to climate change mitigation. We also aim to expand the scale of the Green Products and Green Solutions, which we define as products and services that contribute to climate change mitigation, using net sales and sales volume as indicators.

Environmental data	FY2021	FY2020	FY2019	FY2018	FY2017
Environmentally friendly paper sales (tons)	683,582	736,562	772,484	695,032	566,503
Forest-certified pulp sales (tons)	172,561	157,467	149,308	152,251	128,428

(Scope of aggregation: Domestic non-consolidated; aggregation for the entire Group is in progress)



Environmental Initiatives

Sustainability and Environmental Management System

We are implementing a totally recycling-oriented business model with the aim of realizing a sustainable society. We are also striving to develop and distribute products that will help solve the marine plastic pollution problem. In order to ensure the implementation of initiatives related to the disclosed information in accordance with the TCFD recommendations, which were clarified based on external challenges such as climate change and marine pollution, the KPP Group sets goals, applies the PDCA cycle using the environmental management system, and works to reduce the impact on the environment including the reduction of greenhouse gas emissions. In addition, forest certification serves as a system to ensure that customers receive certified materials from managed forests.

ISO 14001

We have constructed an environmental management system (EMS) in accordance with international standard ISO 14001 in order to fulfill our duty of compliance with environment-related laws and regulations and to improve ESG performance while carrying out both efforts to resolve social issues and business activities. Through the system, we continue our efforts to achieve environment-related KPIs. The results of our activities are regularly evaluated and disclosed in communication with stakeholders.

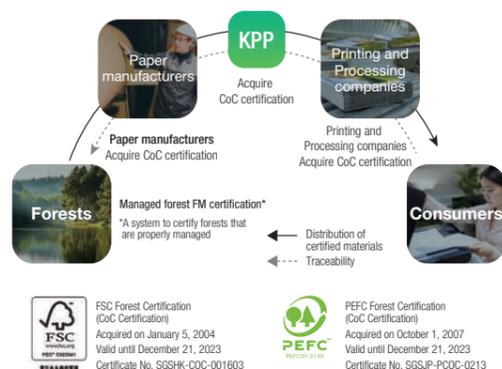


Kokusai Pulp & Paper Co., Ltd.

- Acquired on June 26, 2002 •Valid until June 26, 2023 •Registration number: JP18/071544 •Audit organization: SGS Japan Inc.
- Scope of application: Sales of paper, pulp, recovered paper, films, the materials, and related machinery
- Locations under the scope of application: Tokyo Head Office, Kansai Branch, Chubu Branch, Kyushu Branch, Sendai Sales Dept. of Kita Nihon Branch, and Sapporo Sales Dept. of Kita Nihon Branch

Forest Certification

Along with increasing environmental awareness comes greater demand for forest-certified paper. Forest certification systems are a kind of environmental labelling system whereby a certification label is attached to timber and other wood products produced from properly managed forests in order to manage them appropriately in all stages of production, processing, and distribution and to promote the sustainable use and preservation of forests. These labels are now often seen in our daily lives. We have acquired from the Forest Stewardship Council® (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), the Chain-of-Custody (CoC) certifications which certify that we identify and separately manage forest-certified paper from general goods during the processing and distribution stages.



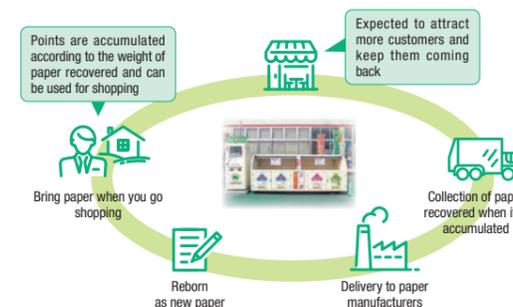
Our environmental management structure		Examples of implementation items	Key communication	Disclosure	Upper-level policies		
Sustainability	Environment	<ul style="list-style-type: none"> ● Extraction of environmental aspects ● Calculation of greenhouse gas ● Formulation of reduction plan ● Implementation of reduction targets ● Identification of and compliance with environment-related laws and regulations 	Environmental Management Committee Management review External examination Sustainability Committee Internal audit	CDP TCFD	Business plan	Environmental policy	KPP Group Way
	Human rights	<ul style="list-style-type: none"> ● Contractor management ● Procurement management ● Ensuring traceability 	Environmental Management Committee Management review External examination Sustainability Committee Internal audit				

The Company is now building a recycling-oriented business model that contributes to the realization of a sustainable society. In addition to developing our proprietary ecomo series in a variety of forms, we are also working to develop and distribute products and materials for solving the marine plastic pollution problem, as well as developing solutions that contribute to reducing environmental impact, thereby strengthening our efforts to capture de-plasticization demand.

ecom Series

Town ecomo

This is a system in which paper from households is collected at point-reward type paper collection boxes in retail stores, etc. Even in areas where government collection is infrequent, residents can dispose of paper whenever they want and earn points that can be used for shopping. This is a system of benefits for all three sides that is expected to attract customers and improve corporate image for retailers, and for the Company, it allows us to efficiently recover paper. Although the COVID-19 pandemic has interfered with the collective recovery of paper in some areas, by utilizing Town ecomo, paper accumulated at home can be used as a recycled material instead of being incinerated as garbage, which is of great social significance in terms of resource utilization.

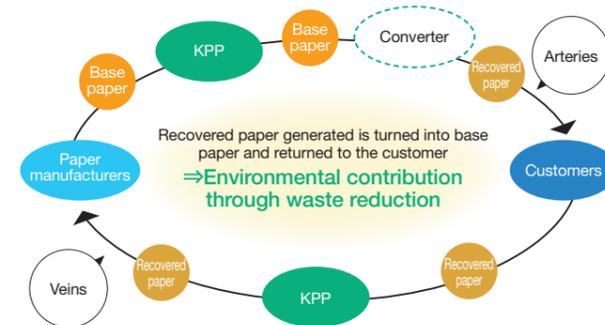


Office ecomo

This system collects confidential documents and converts them into recovered paper to be used as raw materials. While many companies shred confidential documents, shredding shortens the paper fibers, reduces its value as recovered paper to be used as raw materials, and requires time and effort to process. Office ecomo solves these problems and contributes to the environment in terms of the effective use of recovered paper to be used as raw materials.

ecom Closed Recycle Service

This solution service collects used corrugated boxes generated in the distribution process and visualizes the recycling process. In response to moves by various companies to reduce their environmental impact, we are gradually expanding the scope of application to include waste materials from material manufacturers and packaging materials for factories, in addition to paper.



BMecomo

BMecomo is a system that helps biomass power plants maximize profits. In March 2022, for the purpose of further business expansion and efficiency, as well as to speed up decision-making, we established BMecomo Co., Ltd. through joint investment with an Indian IT vendor, Envision EnterpriseSolutions Pvt Ltd. The main business of the company is the BMecomo business.

Promotion of Green Biz Project

In order to solve the marine plastic pollution problem, we have launched the cross-divisional Green Biz Project within the Company to develop and distribute new Green Products based on the concept of 3Rs (reduce, reuse, and recycle) and renewable. In addition, we have been working on Green Solutions, a series of new business models that contribute to the reduction of environmental impact, and have so far achieved results such as the development of BMecomo. We are striving to create new business opportunities by actively exchanging opinions from various perspectives and understanding the fusion of seeds and needs. Green Products are also available on the PAPER MALL e-commerce website.

Content	Indicators
FY2021 Green Biz Project meetings	Held 6 times

Examples of Product Development

● Paper face cover

We have launched the product in 2021. Sustainability initiatives have become an important trend in the apparel market. Face covers are essential when trying on clothing. Compared to conventional non-woven face covers, the use of oil-derived materials can be reduced by approximately 70%.





Biodiversity

Our business relies heavily on resources derived from forests. Conserving forest resources and using them appropriately is essential to our sustainable business growth. The pulp and paper industry as a whole is increasing its plantations worldwide, and the active use of forest-certified products will accelerate this trend.

In addition to these business-based efforts, we support the activities of the C. W. Nicol Afan Woodland Trust to help succeed local communities and paper culture, and preserve biodiversity based on Mr. Nicol's desire to bring back the beautiful natural environment inherent to Japan.

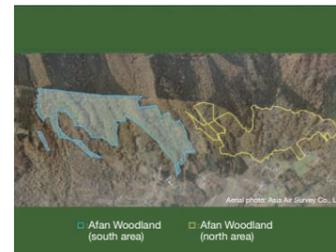
Initiatives	Content	Indicators
Expand the handling of forest-certified products	Expand sales of products derived from managed forests	Sales of forest-certified materials
Support for the Afan Woodland Trust	Support for restoration and conservation activities in the Afan Woodland in Kurohime, Nagano	The amount of investment

Support for the C. W. Nicol Afan Woodland Trust

We began supporting the C. W. Nicol Afan Woodland Trust in 2015. After moving to Japan, Mr. Nicol purchased a dilapidated forest in Kurohime, Nagano, and continued to work on it for over 30 years, rejuvenating it into a forest with abundant biodiversity. Mr. Nicol passed away in April 2022 at the age of 79, but he was aiming to create a future a century from now. Cherishing Mr. Nicol's desire to spread nature with abundant biodiversity throughout Japan, we will continue to support the trust and promote environmental management for the realization of a sustainable society.

Started Support for Forest Creation Activities in the South Area

In February 2022, we began new forest creation support for the south area of the Afan Woodland. The area is where the Afan Woodland Trust has gradually purchased neighboring forests to expand the healthy forest, which is now approximately 17 hectares in size. This area will be transformed into a rich forest full of biodiversity, with the goal of restoring the original forest ecosystem of the area, centering on giant trees (large-diameter trees), in the future.



CEO Visits the C. W. Nicol Afan Woodland

In October 2021, our Chairman & CEO Madoka Tanabe visited the Afan Woodland. When he was alive, Mr. Nicol called the oldest and largest tree in the forest the Mother Tree and said, "When I die, I want to sleep at the base of this tree." A memorial stone is placed at the spot where Mr. Nicol is laid to rest. Chair Izumi Morita of the trust explained about the forest restoration and protection activities, as well as traditional Japanese horse carrying and horse cultivation.



Special Cosponsorship of the "Forests Revive: C. W. Nicol's Legacy of Japan's Future Exhibition"

During Earth Day and International Day for Biological Diversity in 2022, the "Forests Revive: C. W. Nicol's Legacy of Japan's Future Exhibition" was held at Isetan Shinjuku Store and Green Springs in Tachikawa, with the Company as a special cosponsor. This exhibition aimed to trace the footsteps of Mr. Nicol's nature conservation activities and keep his spirit alive for the future.



Contributing to Society

The Company proactively engages in local community-based activities to fulfill its role as a good corporate citizen. Based on the spirit of the KPP Group Way, we not only return profit to society through our corporate activities, but also widely contribute to the development of community and society through culture, the arts, sports support, and environmental protection activities.

Support for Papermaking Class at Miyanomori Elementary School, Higashi-Matsushima City

The Company endorses the Great East Japan Earthquake reconstruction project promoted by the C. W. Nicol Afan Woodland Trust. As part of this, we support the papermaking class at the Miyanomori Elementary School, Higashi-Matsushima City. This year's event was again held as a comprehensive learning class for third-grade elementary school students, with Mr. Rogier Uitenboogaart, a Japanese *washi* paper craftsman, as the lecturer. In this class, students are encouraged to think about the blessings from nature and the use of forests, as well as learn about the Japanese tradition of *washi* paper. The children harvested themselves *kozo* (paper mulberry) and *mitsumata* (Oriental paper bush), materials used for papermaking, from the adjacent forest for reconstruction.



During his self-introduction, Mr. Uitenboogaart played a traditional kagura flute, which has been handed down for more than 1,000 years in Kochi, where he is based. He provided the children with an opportunity to experience traditional Japanese culture in the form of *washi* paper and kagura flutes. He explained how tree bark is turned into paper, and the students were able to experience the process of tapping to make the fibers finer. Leaves, flowers, and other marine materials such as seaweed and crushed seashells typical of Higashi-Matsushima were incorporated into the paper, resulting in a unique piece of Japanese *washi* paper.

Display of Sendai Tanabata Decorations

Sendai Tanabata decorations were displayed at the Company's entrance for the first time in three years to express our wish for the end of the COVID-19 pandemic. The Sendai Tanabata festival is a sumptuously decorated and gorgeous festival that has been passed down as a traditional event since the time of feudal lord Date Masamune in the 17th century. Our Group company Narumiya Kami-shoji has been involved in the production of these Tanabata decorations for many years and has played a role in conveying local festivals and traditional culture. The Tanabata decorations displayed this year are the same as those actually used at the Sendai Tanabata festival. The decorations were viewed by our business partners and neighbors as one of our efforts to broadly promote the attractiveness of bamboo, which is also a local resource, and to solve social issues such as abandoned bamboo forests, environmental issues, and the promotion of recycling.



Publication of Public Relations Magazine TSUNAGU

TSUNAGU was first published in April 2007 as an information communication tool for the KPP Group's corporate message, "A Paper Trail for Creating the Future." Since 2013, the magazine has been published as a quarterly publication. The magazine covers a variety of topics that explore the things, people, and thoughts related to paper, including art and traditional crafts that use paper. In May of this year, we published our 50th issue featuring Mr. Katsuhiko Hibino, President of Tokyo University of the Arts. Although many companies are discontinuing their PR magazines and replacing them with electronic versions, we hope to contribute to the development of paper culture by conveying the appeal and potential of paper.



Providing Disaster Stockpile Food to Food Banks

Since last fiscal year we have been providing disaster stockpile food to food banks at the time of renewal, as part of our efforts to reduce food loss and address poverty issues. Beginning this fiscal year, the activity has been expanded to all branches of Kokusai Pulp & Paper. The disaster stockpile food to be replaced this time included approximately 2,900 canned foods and 240 snacks ready to eat (*yokan*, Japanese sweets). These are provided to the food bank in the district in which each branch is located and are utilized in their respective areas.

KPP Group's Humanitarian Assistance in Response to the Conflict in Ukraine

Our consolidated subsidiary Antalis donated 300,000 euros to Polish Humanitarian Action, a Polish NGO. The donation will be used to provide food and other humanitarian assistance to those affected by the conflict in Ukraine who have fled their homes within Ukraine and to neighboring countries.



Human Capital and Human Resources Strategy

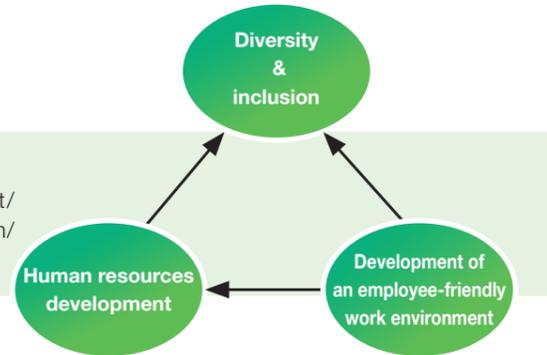
Basic Policy

The Company considers that employees are the most important asset of a trading company and that an environment which lets them fully unleash their potential provides the very foundation for sustainable growth. The Human Resources Committee comprising our top executives investigates, proposes, and makes decisions on matters related to our organization and human capital in order to develop transparent hiring and performance evaluation systems. Further, the Occupational Safety Committee focuses on improving the workplace environment based on

the KPP Group Charter to enable all our employees to work safely with peace of mind. Furthermore, we conduct employee satisfaction surveys and publish the survey results for employees to increase employees' motivation, moral, and skills and be utilized for establishing an environment in which they can fulfill their potential.

Employee satisfaction survey topics

Penetration of management philosophy/engagement/workplace environment/communication/personnel system/compensation/benefits/education and training, etc.



Human Resources Development

Fair Evaluation and Personnel Systems

We believe that it is important to build a system which encourages all employees to work with motivation and allows them to contribute to the sustainable development of the Company, and have introduced a system to fairly evaluate employees who have produced results by utilizing their abilities and skills. To boost employees' motivation while transforming their awareness and actions, the system provides them with accurate feedback to increase transparency, fairness, and satisfaction of evaluation and offers opportunities not only for the pursuit of results but also improvement in both abilities and corporate activities.

Education and Training

We have introduced e-learning programs to support employees' self-development to maximize individual capability and draw out the ability to flexibly respond to new business environments. In human resources development, training is provided for young employees, mid-level employees, and people in managerial positions corresponding to each step in their careers. In training for promoted employees, in particular, career interviews are held between the individual and the Human Resources Department, and the individual is encouraged to take courses that promote independent improvement in conjunction with their wishes. We also encourage employees to participate in training for improving their specialized skills.

Introduction of Mentor System

From the fiscal year ended March 31, 2022, we have introduced a mentor system to provide psychological and other forms of support to new employees and some mid-career hires in order to promote employee retention.

Diversity & Inclusion

Under its Diversity Promotion Policies, the Company respects the gender, age, nationality, race, ethnicity, religion, and social status of each employee, and has established a system that enables all employees to play active roles in their workplaces.

Diversity Promotion Policies

1 Improvement of Work-life Balance

We will develop an environment in which employees can continue working while achieving a sound balance between work and personal life including childrearing and nursing care, enabling them to take on the challenges of more difficult assignments.

2 Promotion of Diversity

We will offer opportunities to all employees, irrespective of gender, age, position, disability, and nationality, for ability development through which they can proactively take on challenges so that we can build a work environment that allows all employees to fully exert their skills and abilities.

3 Diversification of Hiring Practices

We will continue our initiatives for promoting female employees to executive positions, hiring foreign students, and securing ready-to-work personnel through hiring mid-career candidates to further diversify human resources in an effort to improve the value of our Company as a global corporation.

The percentage of employees with disabilities is above the mandatory rate of 2.3%. We will continue to establish an employment environment and jobs in an effort to promote their employment.

FY2021 Hiring rate of persons with disabilities **2.42%**

Plan of Action for Promoting Women's Career Advancement

We are currently working on the development of a workplace environment where women play active roles by raising the number of women on the main career track and in managerial positions, regardless of type of employment or hiring format. In addition, from April 2022, we have set a new goal of achieving a paid leave utilization rate of at least 70%, and are working to realize a workplace that is comfortable for all of our increasingly diverse workforce.

FY2021	Ratio of women in managerial positions	3.0%
FY2021	Ratio of female employees hired for the main career track	35.7%
FY2021	Ratio of female employees on the main career track <small>(Excluding post-retirement workers and fixed-term employees)</small>	10.3%

Please visit our corporate website for more information on the Plan of Action for Promoting Women's Career Advancement.

<https://www.kpp-gr.com/ja/csr/society/woman.html> (available only in Japanese)



Prevention of Harassment

To promote corporate compliance, we regard efforts to prevent various types of harassment as one of the most important issues, and conduct anti-harassment training once a year to ensure that all employees are fully aware of the importance of harassment prevention.

We will continue our efforts to raise awareness and improve the environment for harassment prevention through ongoing training programs.

Results for the Fiscal Year Ended March 31, 2022

For new employees and mid-career hires	Implemented compliance training for new hires	Participation rate: 100%
For all employees	Provided e-learning programs (power harassment and sexual harassment)	Participation rate: 100%
For managerial positions	Conducted anger management training by outside instructors	Participation rate: 100%

Personnel Exchange among Group Companies

Since April 2022, one manager from Antalis and one general employee from Spicers have been accepted. We will continue to promote personnel exchanges among Group companies to enhance global management.

Development of an Employee-Friendly Work Environment (Efforts to Secure Human Resources)

We offer programs that allow our employees to choose different work styles that suit their individual circumstances and needs, including those for leave of absence and shorter working hours for childcare or nursing care. In accordance with the revised Child Care and Family Care Leave Law, we are informing those eligible from April 2022 onward of the system and confirming their intention to take leave. In addition, we established a childcare leave system for births in October 2022, making it easier for male employees to take leave.

Implementation of Telework

We have established the detailed rules on the implementation of telework for the purpose of business continuity in the event of potential future emergencies and work-style reform, and have created an environment in which all employees can perform telework. Furthermore, specified teleworkers are selected every six months from among all employees, with a maximum of eight working days at office per month in principle, and a total of 245 employees used the system during the fiscal year ended March 31, 2022.

Response to Long Working Hours

It is necessary to deal with long working hours (overtime) from the perspective of improving productivity and health management. The Company is tracking overtime including that of personnel in managerial positions, making improvements for appropriate time management through reporting, and strengthening meetings with industrial physicians to avoid the risk of health problems occurring. Furthermore, we are improving and streamlining operations by creating workflows for existing operations through a business improvement project being implemented by the IT Division.

Health Management

We offer annual health checkups for all employees so that they can continue working in good mental and physical conditions. For employees who are 30 years old and above, we offer health checkups for lifestyle-related diseases and offer advice on healthcare based on their test results. Industrial physicians conduct individual interviews with employees about their health status under a system to prevent issues before they occur. The interviews are held twice a month at the head office, Chubu Branch, Kita Nihon Branch, and for the seconded employee; once a month at the Kansai Branch; and as necessary at the Kyushu Branch.

We will continue to consider work styles suitable for child care, nursing care, and the new normal, and strive to develop an environment in which employees can continue to work without worries while striking a good work-life balance.

Please visit our corporate website for more information on the General Employers Action Plan.

<https://www.kpp-gr.com/ja/csr/society/plan.html> (available only in Japanese)



Measures to Prevent the Spread of COVID-19

The COVID-19 Response Headquarters has been established to respond to outbreaks of infection or suspected infection among employees and their family members. It confirms the status of outbreaks to prevent the spread of infection, prepares a response manual, and publicly announces the number of infected employees outside the Company. In addition, the following steps are being taken to prevent infection.

Handwashing, gargling, wearing masks, ensuring social distancing, hand sanitizer, installation of acrylic panels and thermography, desk sanitization when coming to work, staggered working hours, implementation of health checks, utilization of telework, reviewing behavior standards as needed according to the infection status

Management Structure



(As of October 1, 2022)

Officers (as of October 1, 2022)

Name	Position and responsibility	Term of office	Number of shares of the Company held	Career summary	Attendance at Board of Directors meetings (fiscal year ended March 31, 2022)	Reason for appointment	Membership status of the Nomination Committee and Compensation Committee		Skills matrix						
							Nomination Committee	Compensation Committee	Corporate management	International experience	Business strategy	Finance and accounting	Legal affairs and risk management	ESG	
Madoka Tanabe	Representative Director of the Board, Chairman & Chief Executive Officer	18 years	70,000	2013 President & Chief Executive Officer 2015 Director of the Board, President & Chief Executive Officer 2020 Representative Director of the Board, Chairman & Chief Executive Officer (to present)	14/14	He has been involved in the overall management of the Company as Representative Director since June 2012, leading the Company's management with his extensive experience as an executive, strong leadership, and decision-making skills.		Chairperson	●	●	●				●
Tadashi Kurihara	Representative Director of the Board, President	8 years	30,000	2016 Director of the Board, Managing Executive Officer 2017 Director of the Board, Senior Managing Executive Officer 2020 Representative Director of the Board, President & Executive Officer (to present)	14/14	He has been involved in the overall management of the Company as Representative Director since June 2017, leading the Company's management with his extensive experience as an executive, strong leadership, and decision-making skills.	Chairperson		●		●				●
Makoto Ikuta	Senior Managing Director of the Board In charge of Overseas Business	5 years	30,000	2017 Director of the Board, Senior Executive Officer 2018 Director of the Board, Managing Executive Officer 2022 Senior Managing Director of the Board (to present)	14/14	He has extensive business experience and a proven track record. He served as General Manager of Global Business Paper Raw Material Sales Division, Deputy General Manager of Global Business Headquarters, and General Manager of Global Business Operations Division. Currently, as Head of the Global Business Headquarters, he provides leadership in promoting overseas business.			●	●	●				
Haruyoshi Asada	Senior Managing Director of the Board In charge of Corporate Administration	2 years	30,000	2020 Director of the Board, Managing Executive Officer 2022 Senior Managing Director of the Board (to present)	14/14	He has extensive business experience and a proven track record. He served as Head of the IPO Task Force, Head of the President's Office, General Manager of the Finance Division, General Manager of the Corporate Administration Division, Deputy General Manager of the Corporate Administration Headquarters, and in charge of the IT Division. Currently, as Head of the Corporate Administration Headquarters, he provides leadership in establishing and developing management systems.			●			●	●		
Tatsushi Yano	Outside Director of the Board	3 years	—	2019 Outside Director of the Board of the Company (to present) 2019 Outside Director, MANI, INC. (to present)	14/14	He has held officer positions along with experience in overseas business for many years at operating companies (a trading company and a manufacturer). Based on his abundant experience with M&A, post-merger integration (PMI), business reorganization, and restructuring, he is expected to provide advice on management and supervise our business execution.	Member		●	●	●				
Mina Ito	Outside Director of the Board	—	—	2020 Special Advisor, Baker & McKenzie (to present) 2020 Establishes and becomes CEO of ZENMONDO Co., Ltd. (to present) 2020 Corporate Auditor, C'BON COSMETICS Co., Ltd. (to present) 2021 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company 2022 Outside Director of the Board (to present)	10/10	She is well versed in corporate law in general as an international attorney and has extensive experience in M&A, global business strategy, and management support. She can be expected to provide advice on management based on her track record as a company owner with a mission to help solve global social issues as well as her achievements in appropriate auditing and supervision of business execution as an outside director and Audit and Supervisory Committee member.	Member		●	●				●	
Kazuyuki Takiguchi	Director of the Board and Member of the Audit and Supervisory Committee	1 year	—	2021 Director of the Board, Member of the Audit and Supervisory Committee (to present)	10/10	He has considerable knowledge, business experience, and track record in governance and auditing through his service as General Manager of the Corporate Administration Division and General Manager of the Corporate Audit Office, and through his participation in audit liaison meetings.								●	
Toshiro Kobayashi	Outside Director of the Board and Member of the Audit and Supervisory Committee	7 years	—	2010 Establishes and becomes Member of Toshiro Kobayashi Certified Public Accountant Office (to present) 2015 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)	14/14	He is a certified public accountant and tax accountant, and he possesses considerable knowledge in finance, taxation, and accounting. Based on his abundant business experience and achievements, he is expected to audit and supervise our business execution.	Member					●	●		
Shoko Kataoka	Outside Director of the Board and Member of the Audit and Supervisory Committee	—	—	2019 Outside Director, D.I. System Co., Ltd. (to present) 2020 Director and Audit and Supervisory Committee Member, COACH A Co., Ltd. (to present) 2021 Corporate Auditor, Prime Road Inc. (to present) 2022 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)	—	She is a qualified attorney, has served as the leader of in-house legal departments of several companies, and is familiar with the support services for institutional decisions and contracts related to M&As, and accordingly she is expected to provide advice on management and supervise our business execution.	Member			●				●	

Messages from Outside Directors

We asked our outside directors about future challenges in raising corporate value.



Toshiro Kobayashi

Outside Director of the Board and Member of the Audit and Supervisory Committee

October 1977 Joined Tetsuzo Ota & Co.
 April 1982 Registered as Certified Public Accountant
 July 1991 Joined Maruyama & Kobayashi Tax Accounting Office
 August 1991 Registered as Certified Tax Accountant
 June 2005 Outside Corporate Auditor of the Company
 January 2010 Established and became Member of Toshiro Kobayashi Certified Public Accountant Office (to present)
 June 2015 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)

(As of June 30, 2022)



Shoko Kataoka

Outside Director of the Board and Member of the Audit and Supervisory Committee

April 1998 Joined Koichi Kitano Law Office
 April 2000 Established DoSOLO! Law Office (joint management)
 October 2001 Legal Division, Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
 November 2007 Leader, Legal Department, FAST RETAILING CO., LTD.
 November 2012 General Manager, Legal Department, USJ Co., Ltd.
 November 2018 Manager, Legal and Internal Controls, COACH A Co., Ltd.
 December 2019 Outside Director, D.I. System Co., Ltd. (to present)
 March 2020 Director and Audit and Supervisory Committee Member, COACH A Co., Ltd. (to present)
 August 2021 Corporate Auditor, Prime Road Inc. (to present)
 June 2022 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)

(As of June 30, 2022)



Tatsushi Yano

Outside Director of the Board

April 1974 Joined Tomen Corporation
 June 2003 Executive Officer, General Manager of North America, Tomen Corporation
 April 2006 Director, Sanyo Chemical Industries, Ltd.
 June 2006 Director and Executive Officer, Sanyo Chemical Industries, Ltd.
 June 2010 Director and Managing Executive Officer, Sanyo Chemical Industries, Ltd.
 June 2012 Director and Senior Managing Executive Officer, Sanyo Chemical Industries, Ltd.
 June 2016 Company Advisor, Sanyo Chemical Industries, Ltd.
 June 2018 Retired from Sanyo Chemical Industries, Ltd.
 June 2019 Outside Director of the Board of the Company (to present)
 November 2019 Outside Director, MANI, INC. (to present)

(As of June 30, 2022)



Mina Ito

Outside Director of the Board

June 1996 Joined Baker & McKenzie
 January 2004 Partner, Baker & McKenzie
 January 2020 Special Advisor, Baker & McKenzie (to present)
 May 2020 Established and became CEO of ZENMONDO Co., Ltd. (to present)
 June 2020 Corporate Auditor, C'BON COSMETICS Co., Ltd. (to present)
 June 2021 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company
 June 2022 Outside Director of the Board (to present)

(As of June 30, 2022)

On October 1, 2022, the Company transitioned to a holding company structure and started as KPP Group Holdings. The objectives of the transition are (1) to strengthen global governance, (2) to reform the portfolio and expand new businesses, and (3) to promote sustainability management. I believe that KPP Group Holdings has a role to play in establishing and implementing a management control system that respects the autonomy of each Group company by delegating authority and clarifying responsibilities. The most important issues to be addressed are (1) pursuit of global synergies, (2) centralization of information, and (3) establishment of a global operation system. Speedy introduction of the Packaging Business and Visual Communication Business, which have proven track records in the European market and other markets, into the Japanese market will help revitalize our domestic business.

The KPP Group, which has rapidly expanded in size through recent M&As, has been extremely burdened with administrative tasks despite its strong business performance. Because it will take some time for the new system to be operational and we are still short of human resources, as an Audit and Supervisory Committee Member, I intend to carefully audit the Company in cooperation with the Accounting Auditor and the internal audit department to ensure that we do not overlook the occurrence of risks.

In June 2022, I was appointed as Outside Director of the Board and Audit and Supervisory Committee Member. I am very pleased and honored to be a member of the KPP Group, which has a great history.

Over the past 20 years, I have been involved in legal and compliance work for four different companies in different industries, sizes, and cultures: a well-established electrical and electronics manufacturer, an apparel company led by a charismatic executive, a foreign-affiliated theme park, and a coaching firm. Integrity has consistently been my guiding principle and the guiding principle of the organization. At the same time, I also try to take my work earnestly but not too seriously, and to have fun in any situation although I often deal with risks and scandals in my profession.

In addition to utilizing my accumulated experience, I will learn and think about paper and its business from the ground up, and contribute to the compliance management of the increasingly global KPP Group.

KPP has made significant investments in inorganic growth over the past few years, acquiring Spicers and Antalis, and has executed small- and medium-sized M&As under the management of both companies to strengthen them. Meanwhile, we have been recovering bonds and restructuring our China business in the wake of the Hong Kong Samson bankruptcy. We also executed the reorganization of KPP subsidiaries and Antalis subsidiaries in Southeast Asia. As a result, our overseas business has grown to be larger and more profitable than our domestic business.

Under the new business structure, it is an urgent task to steadily implement global management in order to realize our Long-term Management Vision GIFT+1 2024. We shifted to a holding company structure in October 2022, and our main objectives are to respond to the new business structure, improve profitability on a global basis, strengthen governance, and reinforce internal control.

At the same time, we need to address sustainability and SDGs. The Nomination Committee and Compensation Committee also started last fiscal year, and there are still themes to be discussed.

To address various management issues like these, I will utilize my past overseas business experience in a trading company and a manufacturer to not only engage in supervising business execution but also discussing these management issues together as an outside director to contribute to the KPP Group's sustainable growth and thus improve its corporate value.

With the acquisitions of Spicers and Antalis, KPP has accelerated its global expansion. On the other hand, it was also a year in which we were pressed to resolve issues such as bad debts due to the bankruptcy of the Samson Group and the restructuring of our China business. In this manner, the issues that KPP faces on a daily basis, whether they are growth strategy or governance, have become content to be discussed on a global level. In order to establish such a structure as a global company, the transition to a holding company structure was considered and implemented last year. I hope that through various initiatives in the future, my colleagues working worldwide will realize that KPP in Japan is successfully leading KPP overseas. This year, my own duties also transitioned from Audit and Supervisory Committee Member to Director. As an international lawyer with experience in global business and as a corporate manager who supports growth strategies starting from social issues, I would like to be involved in KPP's sustainable growth together with you.

Basic Policy

The Company has prioritized the construction and continual enhancement of corporate governance systems in order to fulfill the mandate we have received from our stakeholders—including shareholders, customers, suppliers, local communities, and employees—which is to deliver sustainable growth and medium- to long-term improvement of its corporate value. In June 2015, we shifted our governance structure to that of a company with an audit and supervisory committee, moving toward management with greater transparency and improved mobility.

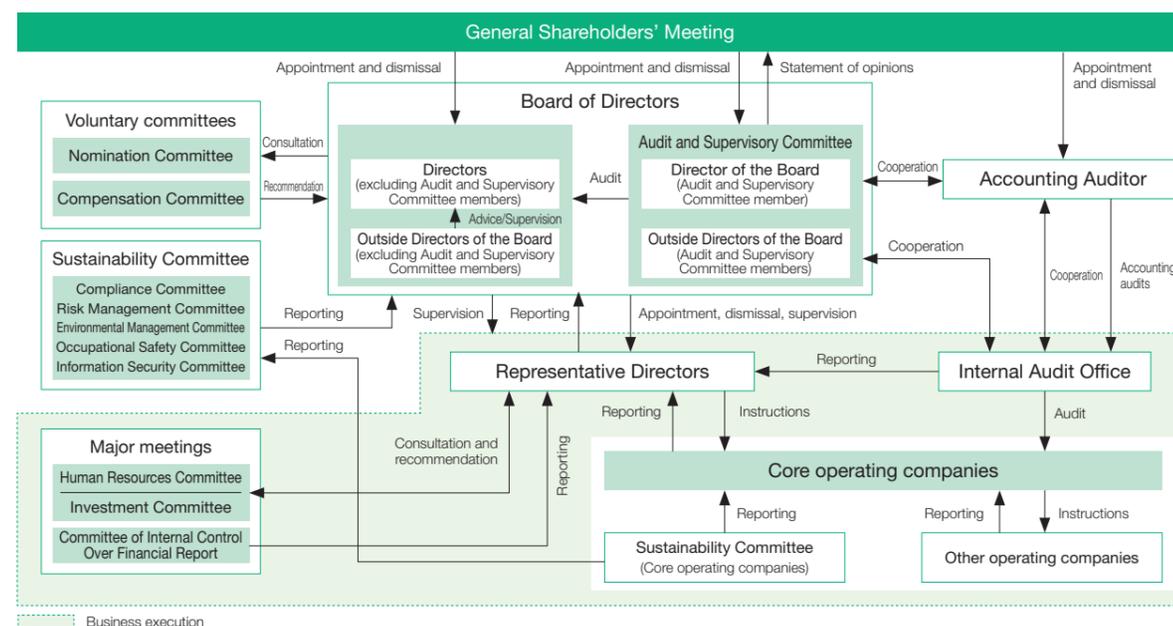
Our Audit and Supervisory Committee, of which outside directors comprise a majority, performs auditing and supervision of the legality and appropriateness of business execution. Also, we employ an executive officer system in which directors, who are members of the Board of Directors, handle decision-making and supervision functions while executive officers handle business execution functions. Through this we have clearly differentiated management decision-making and supervisory functions from business execution functions.

In May 2021, the Nomination Committee and the Compensation Committee were established as voluntary advisory bodies to the Board of Directors to further enhance corporate governance and strengthen accountability.

History of Corporate Governance Enhancements

		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Measures		Introduced the executive officer system			Shifted to a company with an audit and supervisory committee		<ul style="list-style-type: none"> Abolished the advisory consultant system Notified three independent outside directors 		<ul style="list-style-type: none"> Increased the number of independent outside directors to four Elected and appointed one female Director of the Board 		Established the voluntary Nomination Committee and Compensation Committee	Transitioned to a holding company structure
Director of the Board	Internal	14	8					5				4
	Outside								2	2	2	2
	Total	14	8	8	8	8	8	5	7	7	7	6
Corporate Auditor	Internal	2	2	2	—	—	—	—	—	—	—	—
	Outside	2	2	2	—	—	—	—	—	—	—	—
	Total	4	4	4								
Director of the Board (Audit and Supervisory Committee member)	Internal	—	—	—	2				1			
	Outside	—	—	—	3			2				
	Total	—	—	—	5	5	5	4	3	3	3	3

Corporate Governance Structure



Functions of the Board of Directors

Nine directors, including four outside directors with diverse skills and experience, make determinations on important management matters and provide supervision on business execution. In order to achieve sustainable growth and medium- to long-term improvement of corporate value, we are taking advantage of the abundant business experience of our internal directors, as well as the practical and specialized perspectives of our outside directors, working toward the realization of appropriate decision-making and management supervision.

Composition of Directors (Outside, Male/Female)

The Board of Directors consists of nine directors. Of these, four are outside directors, two of which are women, with a wide range of expertise, including lawyer, certified public accountant, and corporate executive, who bring diverse perspectives to the Company's management. In appointing outside directors, the Company selects directors based on a skills matrix that lists the knowledge, experience, and expertise of each director, regardless of gender or nationality.

Role of and Selection Policy for Independent Outside Directors

Their role is to provide recommendations from an objective perspective on the nomination of candidates for director, the representative director succession plan, the procedures for appointment and dismissal of directors (including representative directors), the compensation, etc. of directors (compensation levels, ratio of fixed compensation and performance-linked compensation), the fairness, transparency, and objectivity of procedures of the Board of Directors, and enhancing corporate governance and strengthening accountability.

In addition to the requirements for independent directors stipulated by the Tokyo Stock Exchange, the Company has established its own criteria for determining the independence of candidates for independent outside directors, and appoints those who will contribute to the enhancement and improvement of corporate governance.

Main Topics of Discussion and Agenda for the Board of Directors Meeting for the Fiscal Year Ended March 31, 2022

In accordance with the Board of Directors Regulations, the Board of Directors discusses and makes decisions on important matters related to overall management. In principle, a regular meeting of the Board of Directors is held once a month, and during the fiscal year ended March 31, 2022, a total of 14 meetings were held to discuss and consider the following issues.

- Formulation of the KPP Group's third medium-term business plan
- Consideration and initiatives for transition to a holding company structure
- Creation of KPP Group synergies
- Identification of material issues
- Portfolio reform and expansion of new businesses
- Management and oversight of monthly and annual performance
- Analysis and evaluation of the Board of Directors' efficiency
- Discussions on sustainability, ESG, and TCFD
- Business and financial strategy, policy for shareholder returns
- Measures to enhance corporate value
- Enhancement of corporate governance
- Confirmation of compliance status, etc.

Analysis and Evaluation of the Board of Directors' Efficiency

The Company has analyzed and evaluated the Board of Directors' efficiency in order to improve the functioning of the Board of Directors as described below.

In the fiscal year ended March 31, 2022, as in the prior fiscal year, the Company cooperated with an outside organization to survey all directors, shared the survey results and deliberated on the findings at a meeting of the Board of Directors. As a result, the evaluation was made that the Board of Directors' efficiency was sufficiently ensured as a whole. On the other hand, regarding the need to improve the objectivity and transparency of the processes for nominating directors and determining compensation, which was raised as an issue in the prior fiscal year's analysis and evaluation, some commented that although improvements were seen with the establishment of the Nomination Committee and Compensation Committee, there is a need to further enhance deliberations in each committee and develop a succession plan for the CEO.

Although the evaluation of the Board of Directors' agenda selection and management and explanatory materials for board meetings improved, the need to further enhance deliberations on topics of greater importance was identified as an issue to be addressed, as in the prior fiscal year. In order to enhance deliberations on such agenda items, we will consider ensuring sufficient opportunities for deliberations and providing materials. We will continue our efforts for improvement and strive to ensure a higher level of efficiency in the future.

Committees

Audit and Supervisory Committee

The Audit and Supervisory Committee, consisting of one full-time Audit and Supervisory Committee member, who is an internal director, and two Audit and Supervisory Committee members, who are outside directors, strives to improve governance by auditing and supervising the legality and appropriateness of the execution of duties by directors and checking the status of the development and operation of internal control systems.

Number and composition of committee members	3 (2 outside directors and Audit and Supervisory Committee members, 1 internal director and Audit and Supervisory Committee member (full-time))
Number of meetings held	14
Activities and deliberations in the fiscal year under review	The Audit and Supervisory Committee members attend meetings of the Board of Directors and other important meetings, exchange information with Representative Directors, and collaborate with the Internal Audit Office and the Accounting Auditor in accordance with the audit policy and audit plan established by the Audit and Supervisory Committee.

Nomination Committee

Its role is to provide recommendations to the Board of Directors in order to increase the fairness, transparency, and objectivity of procedures related to nomination of candidates for director, the representative director succession plan, and the appointment and dismissal of directors (including representative directors) and enhance corporate governance and strengthen accountability.

Number and composition of committee members	3 (1 internal director and 2 outside directors)
Number of meetings held	5
Activities and deliberations in the fiscal year under review	Nomination Committee operations and activity policy development, nominating policy and management/leadership personnel requirements development, skills matrix development, and officer structure for fiscal 2022

Compensation Committee

Its role is to provide recommendations to the Board of Directors in order to increase the fairness, transparency, and objectivity of procedures related to the compensation, etc. of directors (compensation levels, ratio of fixed compensation and performance-linked compensation) and enhance corporate governance and strengthen accountability.

Number and composition of committee members	3 (1 internal director and 2 outside directors)
Number of meetings held	3
Activities and deliberations in the fiscal year under review	Formulation of policies for the Compensation Committee, confirmation of the current compensation structure and identification of issues for consideration, and formulation of compensation system proposals for the holding company and its subsidiary (Kokusai Pulp & Paper)

Human Resources Committee

Its role is to conduct extensive decision-making, investigation, and planning on important company personnel matters, such as personnel system, reorganization, appointment of executives, commission, assignment, transfer, hiring, awards, disciplinary actions, and selection of project team members for the development of the Company's business and the smooth operation of the corporate organization, and in doing so, contribute to the formulation of management policies and decision-making.

Number and composition of committee members	6 (5 internal directors and 1 advisor)
Number of meetings held	9
Activities and deliberations in the fiscal year under review	Deliberations were held in line with roles and functions.

Investment Committee

Its role is to conduct extensive research, verification, and decision-making on important investments and transfers for the development of the Company's business, and in doing so, contribute to the formulation of management policies and decision-making. The matters to be considered by the committee are business acquisitions and transfers, the establishment of new subsidiaries in connection with new businesses, and the withdrawal from business.

Number and composition of committee members	Chairman, President, Director in charge of overseas business, Director in charge of administration, and explainers (from domestic and overseas departments), as well as the Business Strategy Division, which serves as the secretariat
Number of meetings held	21
Activities and deliberations in the fiscal year under review	In the fiscal year ending March 31, 2023 (April 2022 onward), we have continued to consider mainly overseas projects. Overseas, we have many projects in the packaging and visual communication sectors other than paper, further advancing the transformation of our business portfolio. For domestic projects, we are examining the periphery of our existing business and the sector of environmentally friendly products. For other business areas as well, we will examine affinity, consistency, and synergy effects with our existing businesses to determine investment eligibility.

Committee of Internal Control Over Financial Report

The committee consists of a chairperson appointed by the President and members appointed by the chairperson to maintain and improve the reliability of internal control over financial reporting. The committee is responsible for establishing and promoting the system of internal control over financial reporting, and reports to the Board of Directors on the basic plan for internal control over financial reporting for the relevant fiscal year and the results of the previous year's evaluation.

Number and composition of committee members	7 in total (7 internal members and 0 external members)
Number of meetings held	1
Activities and deliberations in the fiscal year under review	The committee meeting was held to discuss the effectiveness of the basic plan for internal control over financial reporting for the relevant fiscal year and the results of the previous year's evaluation.

Officer Compensation

Basic Policy Regarding Compensation for Directors, etc.

1. The structure of compensation for directors, etc., takes into account not only their short term business achievements but also their contributions to increasing corporate value. The value they have provided will also be shared with shareholders.
2. The amounts of compensation for directors, etc., are determined in consideration of a balance of various factors such as their achievements and industry trends.
3. The amount of compensation is determined by the Board of Directors, with pertinent participation and advice from independent outside directors, within the scope of total remuneration determined at General Shareholders' Meetings.

Outline of System

Compensation for directors (not including Audit and Supervisory Committee members and outside directors) consists of three categories: the "fixed compensation," "bonuses," and "performance-linked stock-based compensation." Compensation for outside directors and directors who are Audit and Supervisory Committee members consists of the "fixed compensation" only.

Performance-linked stock-based compensation is a medium- to long-term incentive compensation program that is linked to business performance and varies according to the degree of achievement of business performance in each fiscal year. The Company contributes to this stock-based compensation plan, which is funded by the amount of compensation paid to directors, etc. by the Company and the Company's shares and money equivalent to the conversion value of the Company's shares are delivered to and paid to directors, etc. through a trust.

Compensation Structure

Fiscal year ending March 31, 2023 (planned): Fixed compensation (62–64%), bonuses (23%), performance-linked stock-based compensation (13–15%)

Fiscal year ended March 31, 2022

Type of compensation, etc.	Percentage of compensation (approximate)		Process for determining compensation
	Directors (excluding outside directors and directors who are Audit and Supervisory Committee members)	Outside directors and directors who are Audit and Supervisory Committee members	
Fixed compensation	64–66% [71–72%]	100% [100%]	<ul style="list-style-type: none"> Directors (excluding directors who are Audit and Supervisory Committee members) <ul style="list-style-type: none"> ● The amount paid to each individual is calculated based on internal rules for each position within the limit of maximum amount, deliberated upon by the Compensation Committee, and determined by the Board of Directors Directors who are Audit and Supervisory Committee members <ul style="list-style-type: none"> ● Determined through discussion in the Audit and Supervisory Committee based on internal rules within the limit of the maximum amount
Bonuses	24–25% [17–18%]	—	<ul style="list-style-type: none"> ● Performance-linked monetary compensation that varies according to the level of achievement of performance targets each fiscal year as a short-term incentive ● Amount paid = monthly amount of fixed compensation × multiplier for position × performance-linked coefficient (Changes the amount calculated by monthly amount of fixed compensation × multiplier for position within a range of 0 to 200% according to the level of achievement of performance targets for each fiscal year set at the start of the fiscal year) ● Indicators for determining the performance-linked coefficient: EBITDA, ROA, consolidated sales
Performance-linked stock-based compensation	10–11% [11–12%]	—	<ul style="list-style-type: none"> ● Performance-linked stock-based compensation that varies according to the level of achievement of performance targets each fiscal year as a medium- to long-term incentive (Positions and achievement of targets are converted into points, and the Company's shares are granted according to the number of points) ● In consideration of job responsibilities, etc., the payment ratio is determined so that the higher the position of the director, the higher the performance-linked compensation ● Points granted = basic points* × performance-linked coefficient (The points granted are provided within the range of 0 to 200% of the basic points according to the level of achievement of performance targets each fiscal year as published in the financial results) ● Indicators for determining the performance-linked coefficient: Consolidated operating income, consolidated net sales, profit attributable to owners of parent

*Equation for calculation of basic points: Base amount specified for each position ÷ average closing price of the Company's shares on the Tokyo Stock Exchange the month prior to the month in which the calculation period begins

Risk Management

Risk Management System and Management Process

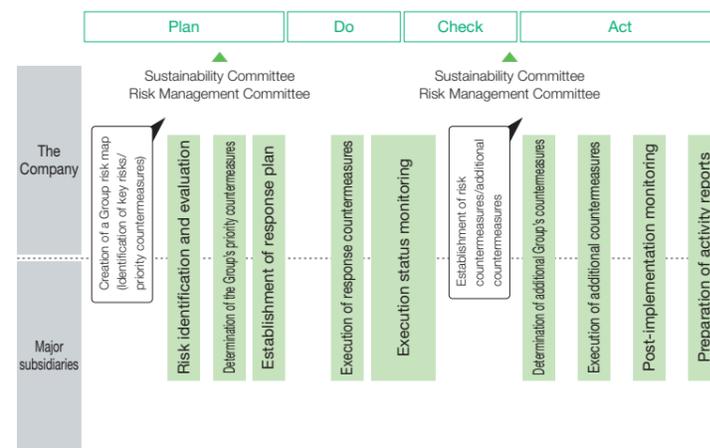
We are implementing Group-wide risk management to appropriately promote business activities in a rapidly changing external environment.

In order to maintain and improve the Company's risk management system, a Risk Management Committee has been established and the Chairperson of the Sustainability Committee appoints the Chairperson and Vice Chairperson of the Risk Management Committee in accordance with the Risk Management Committee Rules. Based on the results of risk analysis at the core operating companies, the Risk Management Committee identifies and evaluates risks that are important for Group management, determines priority countermeasures, monitors the implementation of priority countermeasures on a regular basis, and reports the results to the Sustainability Committee.

Our Risk Management System

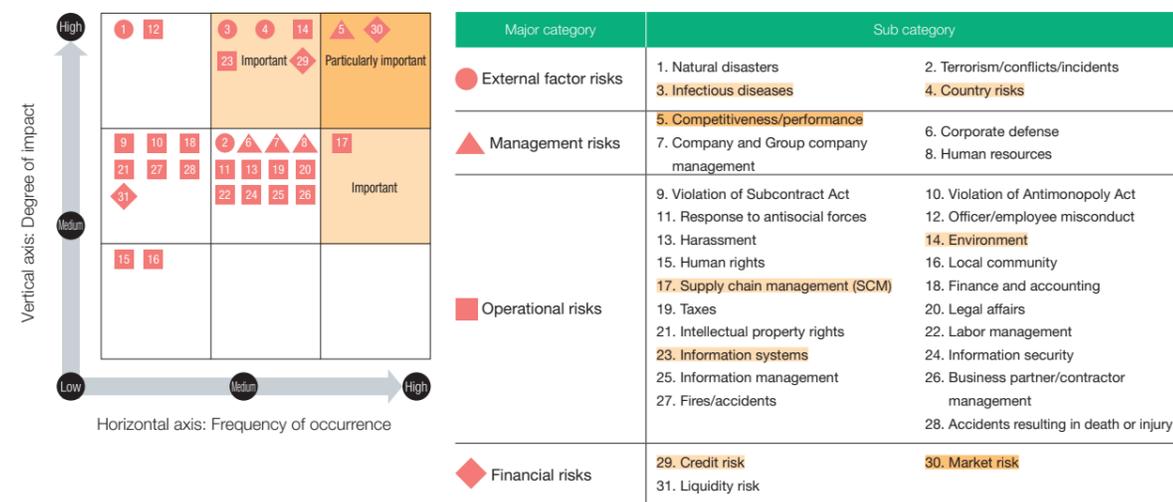


Our Risk Management Process



Business and Other Risks

Business and other risks that may affect the Company's business performance and financial position are shown in below. Forward-looking statements in the text are based on our judgment as of the end of the previous fiscal year. The following is a risk map that evaluates each risk item in terms of impact and frequency of occurrence.



Of the risks stated above, risks recognized as significant are shown in the table on the right. Note that these are not an exhaustive list of all risks associated with the Company, and the Company may be affected in the future by other factors that are currently unforeseeable or not considered important. Although we have described our responses to mitigate risks, it is difficult to avoid risks entirely.

Significant Risks and Responses

Type of risk	Details of risk	Main measures
External factor risks		
Infectious diseases	<ul style="list-style-type: none"> Deterioration in the Group's performance and financial position due to the global spread of infection Impact on business continuity in the event of a large number of employees or their family members becoming infected 	<ul style="list-style-type: none"> Establishment of a committee for countermeasures against infectious diseases, and implementation of measures under its supervision such as changes in working patterns including telework and the supply of equipment to prevent infection Selection of priority business continuity operations in the event of an emergency and establishment of a system to supplement operations
Country risks	<ul style="list-style-type: none"> Occurrence of delays in payment collection and other business execution problems due to changes in political, economic, and social conditions in various regions of the world 	<ul style="list-style-type: none"> Implementation of risk hedging measures such as the use of credit insurance for accounts receivable in the wholesale pulp and paper business at overseas locations Implementation of credit management and thorough information gathering in the relevant countries and regions
Management risks		
Competitiveness/performance (overseas investment)	<ul style="list-style-type: none"> Impairment loss on goodwill in the event that overseas investments do not produce the expected results due to changes in the business environment and other factors 	<ul style="list-style-type: none"> Adequate deliberation of the profitability of investments by the Investment Committee Periodic confirmation of progress of plans and performance by the Investment Committee and collection of information on the business environment and other matters Monitoring by the Board of Directors and other organizations
Competitiveness/performance (R&D activities)	<ul style="list-style-type: none"> Incurrence of buried costs in various R&D expenses contributed by the Group 	<ul style="list-style-type: none"> Adequate deliberation of the profitability of investments by the Investment Committee Periodic confirmation of progress of plans and performance by the Investment Committee and collection of information on the business environment and other matters Monitoring by the Board of Directors and other organizations
Operational risks		
Environment (climate change)	<ul style="list-style-type: none"> Changes in the market due to tighter environmental regulations and technological innovations, as well as climate change responses, and the resulting increase in procurement costs Disruptions in the supply chain due to the occurrence of disasters caused by climate change 	<ul style="list-style-type: none"> Proactive consideration of selection of products with reduced environmental impact Securing a wide range of procurement sources Establishment of a recycling-oriented business model in anticipation of expanded use of non-fossil energy and the formation of a recycling-oriented society
Supply chain management (dependence on major suppliers)	<ul style="list-style-type: none"> Impact on business development, financial position, and operating results due to significant disruptions in the supply of products from major suppliers to the Company as a result of natural disasters or other factors 	<ul style="list-style-type: none"> Securing procurement sources by developing various domestic and overseas suppliers Decrease in dependence on domestic transactions due to expansion of overseas business and decrease in business ratio of paper and paperboard sales due to business portfolio reform "We plan to continue to expand transactions with major business partners in the future."
Information systems (development of core systems)	<ul style="list-style-type: none"> Failure to achieve expected investment effects Unexpected costs due to delays in development schedules, etc. 	<ul style="list-style-type: none"> Sufficient consideration of necessary functions and requirements and implementation of verification work Formation of a governing body consisting of related parties to manage the entire project, including periodic progress management and evaluation of consistency with the expected investment effects
Financial risks		
Credit risk (credit of business partners)	<ul style="list-style-type: none"> Losses due to deterioration in creditworthiness or bankruptcy of business partners to whom credit has been extended 	<ul style="list-style-type: none"> Establishment of credit limits for each business partner Reduction of credit risk through the use of collateral and credit insurance in accordance with the credit status of business partner
Market risk (impact of commodity market fluctuations)	<ul style="list-style-type: none"> (1) Paper and paperboard, etc. <ul style="list-style-type: none"> Impact on product purchase prices due to significant price increases in raw materials, crude oil, etc. (2) Recovered paper <ul style="list-style-type: none"> Significant price impact in a short period of time due to changes in demand in major recovered paper consuming countries Impact on sales due to changes in the supply-demand balance of recovered paper in Japan (decrease in supply despite increase in demand) (3) Pulp <ul style="list-style-type: none"> Impact on sales due to significant price declines in a short period of time, as is typical for commodities in global markets 	<ul style="list-style-type: none"> (1) Paper and paperboard, etc. <ul style="list-style-type: none"> Continuous price negotiations with customers to ensure fair profit margins (2) Recovered paper <ul style="list-style-type: none"> Expanding sales channels and securing suppliers worldwide, particularly in Southeast Asian countries where demand is expected to increase in the future (3) Pulp <ul style="list-style-type: none"> Determination of sales price at the time of purchase contracts and reduction of inventory
Market risk (exchange rate fluctuations)	<ul style="list-style-type: none"> Decrease in consolidated profit due to the appreciation of the yen in the consolidated financial statements of Group companies around the world Unexpected exchange rate fluctuations affecting price competitiveness for export sales from Japan 	<ul style="list-style-type: none"> Reduction of exchange rate fluctuation risk through forward exchange transactions, etc.
Market risk (interest rate fluctuations)	<ul style="list-style-type: none"> Unexpected increase in interest rates affecting borrowings from financial institutions and commercial paper, which are the main source of working capital financing 	<ul style="list-style-type: none"> Reduction of interest rate fluctuation risk by procuring long-term debt (fixed interest rate) and using interest rate swaps, etc.
Market risk (fluctuations in the market value of stockholdings)	<ul style="list-style-type: none"> With respect to shares held as cross-shareholdings, a decline in the price of such shares due to trends in the stock market and the business performance of the company concerned 	<ul style="list-style-type: none"> Reduction of risk by proceeding with sales of cross-shareholdings in a timely and appropriate manner in accordance with the policy regarding ownership of cross-shareholdings
Market risk (retirement benefit obligations)	<ul style="list-style-type: none"> Decline in discount rates and investment yields for defined benefit pension plans and lump-sum payment plans, and decline in stock prices of shares held in trust 	<ul style="list-style-type: none"> Periodic review of pension assets and consideration and implementation of safe asset management
Market risk (real estate market conditions)	<ul style="list-style-type: none"> Decline in profitability of owned real estate due to deterioration of real estate market conditions 	<ul style="list-style-type: none"> Consideration of effective utilization measures such as repairs, redevelopment, and sales according to the situation of each owned property, including appropriate repairs to maintain the property, redevelopment such as reconstruction and change of use, and consideration of sales, as well as efforts to reduce costs

Basic Policy

We aim to ensure compliance with laws and regulations and to meet the demands of society by acting in an ethical manner as a corporate citizen. To that end, we will follow the basic policy set forth in the KPP Group Charter, which are compliance with laws and regulations, respect for human rights, fair, free, and transparent business activities, earning the trust of society and business partners, promotion of sustainability management, proactive disclosure of corporate information, enhancement of the workplace environment, harmony with the natural environment, thorough crisis management, and attitude of top management. Based on these policies, we will implement management with respect for compliance.

Compliance Structure

As an organization that oversees compliance, we have established a Compliance Committee to establish various regulations aimed at compliance with a wide range of business laws and other laws and regulations, to investigate and respond to violations of laws and regulations, and to hold internal training programs to raise the awareness of every worker regarding compliance. In addition, to ensure a compliance-related whistleblowing system, we have established an internal compliance reporting counter at the compliance secretariat and an external compliance reporting counter at an outside contractor.

Thoroughly Ensuring Compliance

We define workers as people who are engaged in the business of our Group, ranging from directors to employees and temporary workers, and we require them to faithfully observe compliance and to perform their duties with common sense and responsibility as members of society.

Whistleblowing System

We have established a reporting counter (internal reporting counter and external reporting counter) where workers of the Group can consult and report compliance issues when they are unsure on making a decision, or when they suspect a compliance violation or potential violation. The purpose of the reporting counter is to obtain information on management risks as early as possible and identify and correct problems before or shortly after their occurrence, while ensuring that the informant is protected. Workers can consult with and report to the internal reporting counter by email, telephone, or post. The external reporting counter can be used for anonymous reporting, and the web-based reporting counter is available in English and Chinese as well as Japanese.

Response When a Problem Occurs

Upon receiving a report, the Compliance Committee delegates, as appropriate, the relevant department to investigate and respond to the problem depending on the nature of the problem. In addition, any problems deemed significant by the Compliance Committee are immediately reported to the Sustainability Committee. The Compliance Committee will promptly investigate problems that require action from an overall perspective and make recommendations for measures to prevent recurrence. In the event of a serious legal compliance incident, we will promptly disclose information to the public and take accountability, strive to investigate the cause and prevent recurrence, and deal with the incident in a strict manner.

Elimination of Antisocial Forces

As a basic action that constitutes the KPP Group Charter, we are committed to systematic crisis management to prepare for the threat of activities by antisocial forces. In order to cut off any relationship with antisocial forces, while maintaining close cooperation with the police and other related organizations, we will take a firm stand against any demands from any groups or individuals that may disrupt social order and sound corporate activities, and will not comply with any of their requests.

Compliance with the Antimonopoly Act

In the KPP Group Charter, we stipulate that we will conduct fair, free, and transparent business activities. Regarding compliance with the Antimonopoly Act and related laws, our specific guidelines include the prohibition of private monopolization, unreasonable restraint of trade, and unfair trade practices.

Compliance Education

We strive to raise each worker's awareness of compliance through compliance training, e-learning, internal newsletters, and other initiatives. In the previous fiscal year, the Compliance Committee revised the Compliance Manual and conducted compliance training for all workers.

Company Overview

Trade name	KPP GROUP HOLDINGS CO., LTD.
Date of establishment	November 27, 1924
Representatives	Madoka Tanabe Representative Director of the Board, Chairman & Chief Executive Officer Tadashi Kurihara Representative Director of the Board, President
Capital	4,723.53 million yen
Annual sales	563.4 billion yen (the fiscal year ended March 31, 2022) *Consolidated
Number of employees	5,354 (as of March 31, 2022) *Consolidated

Business Objectives

The purpose of the Company shall be to engage in the following businesses, and to control and manage the business activities of domestic and foreign companies engaged in the following or similar businesses, through the holding of shares or other equity interest in such companies.

- Purchase, sales, import and export of paper and paper processed goods
- Purchase, sales, import and export of pulp and recovered paper
- Purchase, sales, import and export of chemical products, industrial chemicals, horticultural chemicals, paper-related machinery, packaging equipment, industrial electrical equipment, transportation equipment, electrical components, office equipment, construction materials, packing and packaging materials, printing-related supplies, miscellaneous daily necessities, sanitary and medical materials, fuel for paper mill boilers, industrial products for the manufacture of paper/paper products, and biomass fuels
- Buying and selling business of used materials and articles
- Collection, transport, and processing/disposal of industrial and general waste
- Wholesaling, brokerage, agency service, leasing, and processing related to the previously enumerated categories
- Processing, purchase, sales, import, and export of food items
- Holding, leasing, purchase, sales, management, and brokerage of real estate
- Contracting of construction work
- Supervision of construction and design of architectural structures
- Warehousing
- Agency service related to property insurance
- Owning of and investments in securities
- Any and all other legitimate businesses

Shareholdings

Total number of authorized shares	267,500,000
Total number of issued shares	73,244,408

(As of September 30, 2022)

Shareholders (as of September 30, 2022)

- Oji Holdings Corporation
- Nippon Paper Industries Co., Ltd.
- The Master Trust Bank of Japan, Ltd.
- KPP Employee Stock Ownership
- Hokuetsu Corporation
- Mizuho Bank, Ltd.
- Mitsui Sumitomo Insurance Company, Limited
- MUFG Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- The Norinchukin Bank

Main Banks

- Mizuho Bank, Ltd.
- MUFG Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- The Norinchukin Bank

Major Subsidiaries and Affiliates

Domestic (Japan)

- Kokusai Pulp & Paper Co., Ltd.
- Narumiya Kami-shoji Co., Ltd.
- Daidou Paper Trading Co., Ltd.
- Kikyoya Kami-shoji Co., Ltd.
- Okayama Kami-shoji Co., Ltd.
- Kyushu Kami-shoji Co., Ltd.
- Musashino Paper Recycling Co., Ltd.
- Green Sanai Co., Ltd.
- KPP Logistics Co., Ltd.
- Oji Fiber Co., Ltd.
- BMecomo Co., Ltd.

Overseas

- Antalis S.A.S.
- Spicers Limited
- DaiEi Papers (USA) Corp.
- Keishin Papers Trade (Shanghai) Co., LTD.
- DaiEi Papers (H.K.) Limited
- ANTALIS (HONG KONG) LIMITED
- DaiEi Papers Korea Company Limited
- DaiEi Papers Taiwan Co., Ltd.
- KPP ASIA-PACIFIC PTE. LTD.

Major Communication Tools

Integrated Report

The Company began publishing the Integrated Report in 2016 to communicate financial and non-financial information regarding its corporate activities in a comprehensive and integrated manner. (Published annually)

<https://www.kpp-gr.com/en/ir/report.html>

Public relations magazine TSUNAGU

The Company distributes a public relations magazine called *TSUNAGU* as a communication tool that acts as a bridge between stakeholders and the Company. This magazine offers the latest information about the Company, and also highlights the attractive qualities of paper. (Published quarterly)

<https://www.kpp-gr.com/en/tsunagu.html>

Social media

We currently operate three social media accounts. These are designed to introduce our initiatives from various angles to our stakeholders, and a wide range of information is being provided through a mixture of video and images as needed.



Corporate website

This is the official corporate website. We distribute information, such as corporate information and investor relations information, in a timely manner on this website. It has a section called "KPP Group at a Glance" that is designed to provide the general public with an easy-to-understand look at our operations.

<https://www.kpp-gr.com/en/>

Contact
Corporate Communications Office, KPP Group Holdings Co., Ltd. 6-24 Akashi-cho, Chuo-ku, Tokyo, Japan 104-0044
Tel: +81-3-3542-4169 Fax: +81-3-3542-4282

KPP GROUP HOLDINGS CO., LTD.

6-24 Akashi-cho, Chuo-ku, Tokyo, Japan 104-0044

Tel: +81-3-3542-4166 (main) <https://www.kpp-gr.com/en/>



This paper considers responsibly managed forests.



We use the waterless printing process, which considers water quality control and health damage prevention.



We use environmentally friendly vegetable-oil-based ink.

This brochure has been designed to reduce environmental load.

*Materials that contribute to the conservation of resources and the environment are used.

*Printing process that contributes to reducing environmental load is used.